

REPORT ON INTERNATIONAL
FREIGHT RATES

UNITED STATES CONGRESS
BOARD OF INVESTIGATION AND
RESEARCH

**REPORT ON INTERTERRITORIAL
FREIGHT RATES**

LETTER

FROM THE

BOARD OF INVESTIGATION AND RESEARCH

TRANSMITTING

**REPORT ON INTERTERRITORIAL
FREIGHT RATES**



1943.—Referred to the Committee on Interstate and
Commerce and ordered to be printed, with illustrations

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**BOARD OF INVESTIGATION AND RESEARCH
TRANSPORTATION ACT OF 1940**

NELSON LEE SMITH, *Chairman*

ROBERT E. WEBB

C. E. CHILDE

LETTER OF TRANSMITTAL

BOARD OF INVESTIGATION AND RESEARCH,
Transportation Act of 1940,
Washington, September 24, 1943.

The PRESIDENT.

The VICE PRESIDENT.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: The Board of Investigation and Research has the honor to transmit to the President and the Congress a report on its study of interterritorial freight rates.

This study was undertaken by the Board in December 1941 and has been made under the direction of Dr. D. Philip Locklin, professor of economics and transportation at the University of Illinois.

On March 30, 1943, a condensed summary report on the study which contained recommendations of the Board was transmitted to the President and the Congress. The present report contains the underlying factual data as well as a more detailed analysis of the problem.

A separate expression of one member of the Board follows the main body of the report.

Respectfully,

NELSON LEE SMITH, *Chairman.*
ROBERT E. WEBB.
C. E. CHILDE.

PREFACE

The present study of interterritorial freight rates was instituted by the Board in December of 1941. The objective of the study was: First, to present to the Congress and to the public factual information concerning the level and structure of interterritorial rates and their relation to intraterritorial rates; second, to consider the criticisms which are directed at the present rates, and also the arguments which are urged in defense of the present structures and levels of rates; and, third, to consider the practicability of various proposals for changes in the level and structure of the rates—all for the purpose of aiding in the formulation of sound public policy in dealing with the problem. The Board has not undertaken to inquire into the lawfulness or unlawfulness of the present rates under existing statutes—a matter which is within the jurisdiction of the Interstate Commerce Commission. The Board's study is concerned with the broad questions of public policy which are involved in the controversy.

On March 30, 1942, a letter was addressed to various parties known to be interested in the problem, and to the State commissions, and to the Governors of the several States, expressing the Board's desire to obtain information bearing on the problem, and inviting them to submit material to the Board which was pertinent to the investigation.

In response to the letter referred to numerous letters were received, some of which set forth the views of the parties on the problem, or on certain aspects thereof. More extensive statements were filed with the Board by the following: The class I steam railroads of the Western District; the Southern Governors' Conference; the class I Southern railroads; the Official Territory railroads; the State of New York; and the West Coast Lumbermen's Association. The Board has made use of various exhibits introduced in Interstate Commerce Commission Docket 28300, *Class Rate Investigation*, and also exhibits in various other proceedings before the Commission, but for the most part the rate data in the Board's study were developed by the Board's own staff.

A summary report on the study was transmitted to the President and the Congress on March 30, 1943, and was printed as House Document No. 145, Seventy-eighth Congress, first session. The present report contains the underlying factual data and also a more detailed analysis of the problem. The summary report included recommendations of the Board for legislative action, which are repeated herein. These legislative recommendations are those of the Board and to some degree go beyond the conclusions of the staff.

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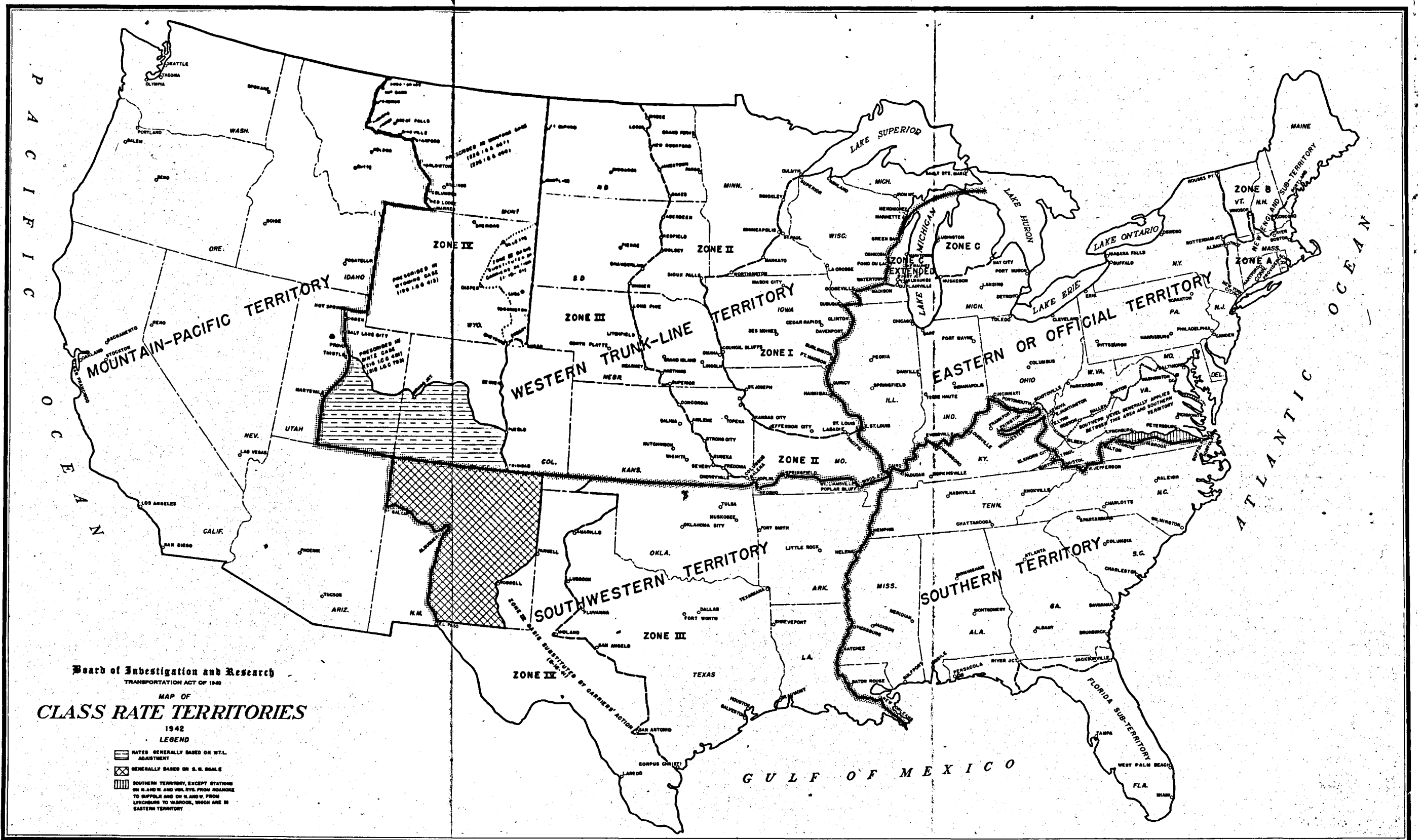
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Board of Investigation and Research
TRANSPORTATION ACT OF 1940

MAP OF
CLASS RATE TERRITORIES
1942




- LEGEND
-  RATES GENERALLY BASED ON W.T.L. ADJUSTMENT
 -  GENERALLY BASED ON S.S. SCALE
 -  SOUTHERN TERRITORY, EXCEPT STATIONS ON N. AND W. AND VEH. RYS. FROM ROANOKE TO RUFFALO AND ON N. AND V. FROM LYNDCHURGH TO WABROOK, WHICH ARE IN EASTERN TERRITORY

FIGURE 1

REPORT ON INTERTERRITORIAL FREIGHT RATES

CHAPTER I

INTRODUCTION

A. STATEMENT OF THE PROBLEM

The interterritorial freight-rate problem grows out of the fact that the freight-rate structures of the country have grown up on a regional basis. Five major rate territories are recognized. These are known as Eastern or Official Territory, Southern Territory, Western Trunk-Line Territory, Southwestern Territory, and Mountain-Pacific Territory. The last three of these territories will be referred to collectively as Western Territory. The location of these territories is shown on the map in figure 1.¹

In a discussion of freight rates it is necessary to distinguish between class rates and commodity rates. Class rates are the rates which apply on the limited number of "classes" of freight into which articles are grouped by the freight classification or by the "classification exceptions." There are three major railroad freight classifications in effect in the United States. The Official Classification applies in Official or Eastern Territory; the Southern Classification in Southern Territory; and the Western Classification in Western Trunk-Line, Southwestern, and Mountain-Pacific Territories. Commodity rates are rates published on specific commodities directly instead of through the medium of a freight classification. Commodity rates are generally lower than the class rates on the same article.

Most of the tonnage of the country, particularly of low-grade commodities, moves on commodity rates, but the exact proportion is not known. An analysis of the carload traffic originating on all railroads in the country on September 23, 1942, was recently made by the Interstate Commerce Commission's staff for the purpose of estimating the proportion of the traffic which moved on class rates. The

¹ Explanation of map of class-rate territories:

The map is based on the intraterritorial adjustments. The boundaries of the various territories are often different for purposes of making interterritorial rates. Thus on traffic between Western Trunk-Line Territory and Southern Territory, the latter is enlarged to include part of the area shown on the map as within Eastern or Official Territory. Likewise in the adjustment between Western Trunk-Line and Southern Territories, extended zone C in Wisconsin is considered part of Western Trunk-Line Territory.

Western Trunk-Line Territory, as shown by the map, is extended westward beyond the traditional boundaries. Interstate Commerce Commission decisions indicated on the map are the authority for considering the areas involved as within zone IV of Western Trunk-Line Territory so far as intraterritorial rates are concerned.

The portion of New Mexico indicated by cross-hatching has rates generally related to the southwestern basis. Although no class rates were prescribed by the Commission for this area, the Commission has, in a number of complaint cases, treated the area the same as adjacent Southwestern Territory.

Class rates to and from that portion of Colorado south of the main line of the Denver, Rio Grande & Western Railroad and west of the "Colorado common points" (Denver, Pueblo, Trinidad, also Cheyenne, Wyo., and other points) were not involved in the cases in which class rates were established for Western Trunk-Line or Southwestern Territories. Rates between points in this area and points in Western Trunk-Line Territory are usually combinations on the Colorado common points, and hence are tied into the Western Trunk-Line adjustment. Between this area and points west the rates are related to either the Mountain-Pacific or the transcontinental rates.

resulting estimate was that 14.8 percent of the carloads originating on that day moved on class rates, and 85.2 percent on commodity rates. The class traffic, however, accounted for 22.4 percent of the revenues from carload traffic, and commodity rates accounted for 77.6 percent.² A less-carload traffic survey made by the Association of American Railroads covering traffic terminated by class I railroads from September 8 to 14, 1939, shows that approximately 79 percent of the less-carload tonnage moved on class rates, and 21 percent on commodity rates.³ Although the preponderance of the less-carload traffic moves on class rates, the less-carload traffic constituted only 1.65 percent of the tons of revenue-freight originated in 1939.

Within each of the major rate territories a separate basis of class rates, and usually of commodity rates, exists. For some commodity-rate structures, however, territorial boundaries do not correspond exactly to the boundaries of the class-rate territories. Other commodity-rate structures disregard traditional territorial boundaries to some extent. There is also some subdivision of the five major rate territories. The subdivisions recognized in the class-rate structure are shown on the map. On various commodities taking commodity rates, Eastern or Official Territory has different levels and structures in the three subterritories into which it is divided. These are New England Territory, Trunk-Line Territory (extending as far west as a line from Buffalo to Pittsburgh) and Central Freight Association Territory, or Central Territory, which comprises that portion of Official Territory west of the Buffalo-Pittsburgh line.

The class-rate structures in the major rate territories differ from one another in one or more of the following features: The number of regular or normal "classes" of freight;⁴ the percentage relations of the rates on these classes to the first-class rates; the levels of the basic first-class rate scales; and the rates of progression of the scales as lengths of haul increase.

The existence of these regional rate structures is to be explained, in part, in terms of the historical development of the railroads. Comparatively few railroads cross the boundaries between the three major classification territories. Within each territory, however, a network of lines exists, which makes cooperation between railroads in the construction of classifications and rates almost necessary unless there is to be virtual chaos in rates. The development of classifications and rate structures took place on a regional basis, with the railroad serving a given region working out a rate structure in which they were willing to participate. In fact, prior to the leading cases in which more or less standardized class-rate structures within regions were established by the Interstate Commerce Commission, numerous territorial subdivisions existed, each with its own peculiarities in the structure of rates. The present regional system represents a step toward uniformity as compared with the even greater degree of regionalization which previously existed.

That the present regionalized rate structures should lack uniformity is not strange. Such differences grow out of different conditions exist-

² Taken from exhibit No. 228 in I. C. C. Docket No. 28300. It should be recognized that these figures are not based on a check of the rates actually charged, but upon the judgment of the rate branch of the Bureau of Traffic as to "the most probable rate charged" based on knowledge of the rates published on the articles concerned within and between the several rate territories.

³ Association of American Railroads, Analysis of L. C. L. Traffic, Period September 8 to 14, 1939, inclusive.

⁴ See table 8, page 22, *infra*, for the designations of the regular classes of freight in each classification.

ing within the various territories, and differences in the views of rate-making officials concerning a reasonable and proper rate structure. Each rate structure is the product of the policies of rate-making officials of the railroads, with whom initiative in rate making rests, modified by the pressures of shipper groups seeking rates which would be advantageous to their interests, and modified further by the policies of State and Federal regulatory authorities.

Interterritorial rates are those applying from a point in one territory to a point in another. Where the rate level in one territory is higher than in another, the level of interterritorial rates between the two territories is generally higher than the rate level within the lower-rated territory. Sometimes the level of the interterritorial rates equals or exceeds the level of the rates applying in the higher-rated territory. The greater the differences in rate levels in the different territories and the more divergent the rate structures, the more difficult becomes the problem of constructing interterritorial rates. The construction of interterritorial rates raises two problems: first, the extent to which the levels and structures in the two territories should be blended or compromised; and, second, the propriety of the regional levels themselves.

Complaints concerning interterritorial rates come from shippers in the areas having the higher rate levels who find themselves at a disadvantage in competing with shippers of the same products located within lower-rated territories. On shipments to the lower-rated territory they frequently ask for rates on the destination level in order to enable them to compete with producers in the lower-rated area. Sometimes, also, producers in a higher-rated territory are in favor of rates from the lower-rated to the higher-rated territory on the basis of the higher level in order to protect their markets from the inroads of products made in the lower-rated areas. Manufacturers located in higher-rated territories also complain of the rates on raw materials from a lower-rated territory, when the manufactured product must be sold in competition with the product of manufacturers in the lower-rated territory who obtain their raw materials on lower rates. Distributors in the higher-rated areas likewise complain of rates which they pay on goods from the lower-rated territory when they must be sold in competition with distributors located in the lower-rated region. The difficulties of producers in the higher-rated areas are often taken up by organizations representing the particular region or area, and result in charges of regional unfairness and discrimination in the rate structure. These rate differences are often alleged to be deterrents to the economic development of the regions with the higher rate level.

Complaints about the present interterritorial rate structure come chiefly from Southern and Western Territories where the rate levels on many commodities are higher than in Eastern Territory. Industries located in the South and West frequently find themselves at a disadvantage when trying to sell their products in Official Territory in competition with those located in the latter area. Various groups interested in promoting the industrialization of the South and West feel that the rate disadvantages have prevented the location of industries in those areas.

The effort on the part of southern and western groups to obtain lower rates on manufactured articles, particularly to destinations in Official Territory, is a natural result of the growth of industry in

those areas in recent years, and of the desire to promote further industrial development. Prior to the decision of the Interstate Commerce Commission in *Southern Class Rate Investigation*, 100 I. C. C. 513 (1923), 109 I. C. C. 300 (1926), many of the rates between the South and Official Territory were relatively high, particularly those that were constructed on the basis of combinations to and from the gateways. Although it was proposed in that proceeding to establish through rates between the North and the South lower than would result from the combination basis, many southern shippers objected to interterritorial rates lower than the southern intraterritorial level on the grounds that low interterritorial rates would favor northern manufacturers to the detriment of southern manufacturers in supplying southern markets. See 109 I. C. C. 300, 317, and 319 (1926). Recent criticism of the interterritorial freight-rate structure, however, has been that the interterritorial rates are too high and that they restrict the ability of southern manufacturers to sell in Official Territory.

B. VOLUME AND COMPOSITION OF INTERTERRITORIAL TRAFFIC

The interterritorial freight rates have been frequently criticized as constituting rate walls, or barriers, to interterritorial commerce. The extent to which they may have impeded the flow of traffic between rate territories is indeterminable. The present flow of traffic between territories can be estimated from available data, and its composition determined in broad categories, but there is no way of determining what the volume and composition of interterritorial traffic would have been under a different rate adjustment.

So far as carload traffic is concerned, recent data obtained by the Office of Defense Transportation, and analyzed by Dr. Beatrice Aitchison of the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission, throw light on the nature of interterritorial traffic movement. The analysis covers all carload freight originating on May 27 and September 23, 1942. Information obtained from the study was introduced as one of the Bureau's exhibits in I. C. C. Docket 28300, *Class Rate Investigation*.⁵

The study shows that 73.7 percent of the carload traffic originating on the 2 days referred to moved intraterritorially, and 26.3 percent moved interterritorially. The boundaries of the rate territories used in the Bureau's analysis differ in some respects from those shown on the map herein, but it is not likely that the differences would materially affect the percentages of traffic found to move interterritorially and intraterritorially, respectively.

Table 1 shows the proportion of the total interterritorial traffic that moved from each rate territory to each of the others. It will be observed that the heaviest interterritorial movement was from Southern to Official Territory; and the second heaviest movement was from Western Trunk-Line to Official Territory.⁶

⁵ Exhibit 194.

⁶ Further analysis of the interterritorial movements is found in ch. VIII.

TABLE 1.—Total interterritorial carload traffic moving between the several rate territories, May 27 and Sept. 23, 1942¹

	Number of carloads	Percent
Total, interterritorial.....	70,599	100.00
Official to Southern.....	7,008	9.93
Southern to Official.....	15,989	22.65
Official to Western Trunk-Line.....	6,047	8.57
Western Trunk-Line to Official.....	8,246	11.68
Official to Southwestern.....	1,510	2.14
Southwestern to Official.....	5,833	8.26
Official to Mountain-Pacific.....	3,691	5.23
Mountain-Pacific to Official.....	3,625	5.13
Southern to Western Trunk-Line.....	882	1.25
Western Trunk-Line to Southern.....	1,167	1.65
Southern to Southwestern.....	1,136	1.61
Southwestern to Southern.....	1,949	2.76
Southern to Mountain-Pacific.....	512	.73
Mountain-Pacific to Southern.....	432	.61
Western Trunk-Line to Southwestern.....	1,527	2.16
Southwestern to Western Trunk-Line.....	2,803	3.97
Western Trunk-Line to Mountain-Pacific.....	1,077	1.53
Mountain-Pacific to Western Trunk-Line.....	3,211	4.55
Southwestern to Mountain-Pacific.....	578	.82
Mountain-Pacific to Southwestern.....	697	.99
United States to Canada and Mexico.....	2,679	3.79

¹ Based on exhibit 194 in I. C. C. Docket No. 28300, entitled "Territorial Movement of Carload Freight on May 27 and Sept. 23, 1942."

Table 2 shows the proportion of traffic in each of the five major commodity groups that moved interterritorially.

TABLE 2.—Percent of total carload traffic, May 27 and Sept. 23, 1942, in each Interstate Commerce Commission commodity group moving interterritorially and intraterritorially, respectively¹

	Percent of cars moving interterritorially	Percent of cars moving intraterritorially	Total
Products of agriculture.....	39.57	60.43	100
Animals and products.....	47.39	52.61	100
Products of mines.....	16.56	83.44	100
Products of forests.....	28.72	71.28	100
Manufactures and miscellaneous.....	32.61	67.39	100

¹ Based on exhibit 194 in I. C. C. Docket No. 28300.

Animals and products led in the proportion of the traffic that moved interterritorially, since 47.4 percent of the cars in this group moved between rate territories. Products of agriculture ranked second with 39.6 percent of the traffic in the group moving interterritorially. Manufactures and miscellaneous ranked third with 32.6 percent of the cars in the group moving interterritorially. Only 16.6 percent of the products of mines moved interterritorially.

The composition of the interterritorial traffic taken by itself is shown in table 3.

The table shows that 42 percent of the interterritorial carload traffic consisted of manufactures and miscellaneous. Products of mines constituted 28.4 percent of the interterritorial movement.

TABLE 3.—*Composition of interterritorial carload traffic, May 27 and Sept. 23, 1942, by commodity groups¹*

	Percent of total interterritorial carloads
Products of agriculture.....	14.2
Animals and products.....	6.7
Products of mines.....	28.4
Products of forests.....	8.7
Manufactures and miscellaneous.....	42.0
Total.....	100.0

¹ Based on exhibit 194, I. C. C. Docket 28300.

Further information concerning interterritorial movement of carload freight, based on a larger sample, will be obtained from a study now being made by the Board which covers carload traffic terminated on 12 sample days scattered throughout 1939.

A study made by the Association of American Railroads of less-carload traffic terminated during the week of September 8 to 14, 1939, contains data from which the amount of interterritorial less-carload traffic can be computed. The study does not show the traffic moving between the rate territories, but between the three classification territories, Official, Southern, and Western. Since Western Classification Territory embraces Western Trunk-Line, Southwestern, and Mountain-Pacific Territories, movements between any two of the latter three rate territories are treated as Western intraterritorial traffic.

The study shows that 85 percent of the less-carload traffic was intraterritorial and only 15 percent interterritorial.

Table 4 analyzes the interterritorial movements. It shows that 54.3 percent of the interterritorial less-carload traffic was from Official Territory to Southern and Western Territories.

TABLE 4.—*Interterritorial less-carload traffic terminating Sept. 8 to 14, 1939, moving to and from each classification territory*

	Tons	Percent
Official to Southern.....	14,300.5	28.3
Southern to Official.....	9,425.0	18.7
Official to Western.....	13,140.4	26.0
Western to Official.....	3,617.2	7.2
Southern to Western.....	4,335.7	8.6
Western to Southern.....	1,900.2	3.9
To and from Canada.....	2,698.0	7.3
Total.....	50,477.0	100.0

C. PLAN OF THE STUDY

In analyzing the interterritorial rate problem, five things need to be examined: (1) the differences in regional rate levels and structures, (2) the methods of constructing interterritorial rates and their resulting levels; (3) justification of the differences in regional levels and the levels of interterritorial rates; (4) the economic effects of differences in regional rate levels and of the levels of interterritorial rates; and (5) proposals for dealing with the problem. Each of these matters is treated in the following pages.

CHAPTER II

INTRATERRITORIAL CLASS-RATE STRUCTURES

The railroad freight rate structure in the United States, as noted previously, has developed on a regional basis. This is particularly true of class rates. Since an understanding of the interterritorial rate structures, as well as of some of the problems arising therefrom, requires some knowledge of the structure of intraterritorial rates, this chapter is devoted to a brief description of the class-rate structure within each of the five rate territories. The present class-rate structures in the various rate territories, with the exception of Mountain-Pacific Territory, are the result of comprehensive investigations made by the Interstate Commerce Commission in recent years.

In the descriptions of these structures the rates shown, unless otherwise stated, are those in effect prior to the 10-percent increase authorized in *Ex Parte 123, Fifteen Per Cent Case, 1937-1938*, 226 I. C. C. 41 (1938). Appendix A shows the scales of first-class rates as prescribed by the Commission, and appendix B shows the scales with the 10-percent increase authorized in *Ex Parte 123*. Rates shown do not include the increases authorized temporarily in *Ex Parte 148, Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545 (1942).¹

A. EASTERN TERRITORY

The decision of the Commission in *Eastern Class Rate Investigation*, 164 I. C. C. 314, was made in 1930, followed by supplemental decisions in 1931 and 1934. (171 I. C. C. 481; 177 I. C. C. 156; 203 I. C. C. 357.) The rates originally prescribed by the Commission were put into effect December 3, 1931.

The area comprised within Eastern Territory is that shown on the map on page 2. Historically, Eastern or Official Territory was divided into three subdivisions. These, as previously noted, were New England, Trunk-Line Territory, and Central Freight Association Territory, which is commonly called C. F. A. Territory, or Central Territory. New England comprised roughly the six New England States. Trunk-Line Territory lay west of New England and the Atlantic coast and extended as far west as the so-called Buffalo-Pittsburgh line. Central Freight Association Territory lay west of Trunk-Line Territory. Prior to the decision of the Commission in the Eastern class-rate investigation different class-rate structures were in existence in these subdivisions of Eastern Territory. As a result of that decision a new structure was prescribed for the whole of Eastern Territory, with somewhat higher levels of rates in New England and a portion of Central Territory.

The basic scale of maximum reasonable first-class rates prescribed for application in Eastern Territory is shown in appendix A of this

¹ *Ex Parte 148* increases have been suspended to Jan. 1, 1944, effective May 15, 1943.

report. The scale started with a first-class rate of 30 cents per hundred pounds for distances of 5 miles or less. The rates increased in 5-mile blocks up to 100 miles; then in 10-mile blocks to 240 miles; 20-mile blocks to 800 miles; and then in 25-mile blocks to 900 miles. In a supplemental report, 171 I. C. C. 481 (1931), the scale was extended in 25-mile blocks to 1,500 miles.

The rate of progression of the scale can be shown by the increase in rates for each 100 miles. In the first 100 miles the rate increased from the initial 30 cents to 56—an increase of 26 cents. From 100 to 200 miles the increase was 17 cents; from 200 to 300 miles, 14 cents; from 300 to 700 miles, 12 cents for each 100 miles; and thereafter 10 cents for each 100 miles. In computing distances the Commission said that "the shortest routes should be used over which carload traffic can be moved without transfer of lading."

A definite relation of the rates on the lower classes to the first-class rates was prescribed. The Commission required the establishment of 23 columns of rates bearing a percentage relation to first-class rates, as follows: 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 45, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, 13. The percentages in italic represent those for the regular classes recognized in Official Classification, namely, classes 1, 2, 3, R26, 4, 5, and 6, respectively.

Certain subterritories were recognized by the Commission. In these, higher rates than the basic scale were prescribed. The first of these subterritories was known as zone C, from a decision of the Commission in *C. F. A. Class Scale Case*, 45 I. C. C. 254 (1917). It comprised most of the northern part of the southern peninsula of Michigan. For distances in zone C, arbitraries equal to 10 percent of the basic scale for such distance were to be added to the rate for the whole distance under the basic scale. The special treatment accorded zone C in Michigan was due to the fact that it is sparsely settled country not traversed by through east and west routes of the larger railroads, and consequently has a small amount of through or "overhead" traffic. In *Western Trunk-Line Class Rates*, 164 I. C. C. 1, 211 (1930), zone C was extended to include a strip of Wisconsin along Lake Michigan referred to as extended zone C.

New England was also given special treatment. Two areas, or zones, were recognized. (See map on p. 1.) Zone A included the southern part of New England, which is industrialized and densely populated. Zone B included the northern portion of New England. A scale of rates within zone A was prescribed which was approximately 5 percent higher than the basic scale. Within zone B a still higher scale was prescribed, about 15 percent higher than the basic scale. Between points in zone A and points in zone B the zone-A scale was used, with the addition of arbitraries (10 percent of the basic scale) for the distance in zone B. Between zone A and the rest of Eastern Territory the basic scale was applied, modified by the special keypoint rates hereinafter described. Between zone B and the rest of Eastern Territory, however, except where key-point rates were prescribed the basic scale plus arbitraries equal to 10 percent of the basic scale was to be used for the distances in zone B.

In addition to the special treatment afforded zone C in Michigan and also the two New England subgroups, arbitraries were prescribed for thin-traffic branches of standard lines and for certain short and weak railroads. For thin-traffic branch lines arbitraries averaging

about 10 percent of the basic scale could be added for distances on the branch lines. Still higher arbitraries were prescribed for certain branch lines near the border of Southern Territory. These arbitraries ranged from 26⅓ to 63⅓ percent of the basic scale.

Although the rate system prescribed in the Eastern class-rate investigation was a distance system, a certain amount of grouping was found desirable. Between important points in Central Territory, on the one hand, and points in New England and Trunk-Line Territories, on the other, the Commission prescribed specific first-class rates, known as key-point rates. These rates were usually slightly less than those that would have resulted from a strict application of the scales. The key-point rates were to be observed as maxima at intermediate points, thus creating origin or destination groups of varying extent.

Grouping also occurred as the result of the adjustment into and out of New England. Within zone A of New England, as has been noted, rates higher than those resulting from the basic scale were prescribed, but between zone A and points in Trunk-Line Territory the basic scale applied, with the exception that in no instance was the rate into or out of New England to be lower than between New England points in zone A and points on the border between New England and Trunk-Line Territory. The result was the creation of rate groups at the border between New England and Trunk-Line Territories.

In addition to the standard all-rail rates there are, between many points in Eastern Territory, four classes of "differential" routes, having rates differentially lower than the all-rail rates. These are (1) the differential all-rail routes; (2) standard rail-and-lake routes; (3) differential rail-and-lake routes, and (4) ocean-rail routes.

The differential all-rail routes apply from New England and New York City to part of Central Territory in connection with Canadian lines. No order concerning the differentials of these lines was made in the *Eastern Class-Rate Investigation*. The differentials maintained for many years from New England have been as follows:²

	Class					
	1	2	3	4	5	6
Differentials (cents).....	5	4	3	3	2	1

In the *Eastern Class-Rate Investigation* the rates over the standard rail-lake routes between New England, most of Trunk-Line Territory and some points in the eastern part of Central Territory on the one hand, and Lake Michigan ports on the other, were made 90 percent of the corresponding all-rail rates, with a maximum first-class rate of not more than 16 cents less than the corresponding all-rail first-class rate. On the lower classes the rates were obtained by applying the percentages of first class used in connection with all-rail rates.

Differential lake-and-rail routes involve Canadian lines and rates were not prescribed by the Commission in the *Eastern Class-Rate Investigation*.

² From New York to Central Territory points the differentials under the standard all-rail rates are the same as are maintained by the ocean-rail routes.

The ocean-rail differential routes apply between points in the western part of Central Territory and the principal eastern ports. East-bound, differential rates apply to the principal eastern ports except Baltimore, via the ports of Baltimore, Newport News, Norfolk, and certain other ports. The following differentials under the all-rail rates are maintained.

	Class					
	1	2	3	4	5	6
Differentials (cents).....	8	6	4	3	2	2

West-bound, differential rates apply from the eastern ports including Baltimore, and in some instances from interior eastern points as well, via Baltimore and the Virginia ports to destinations in the western part of Central Territory. The west-bound differentials under the all-rail rates are as follows:

	Class					
	1	2	3	4	5	6
Differentials (cents):						
From New England.....	7	6	5	4	3	2
From New York.....	8	6	5	4	4	3
From Philadelphia.....	8	6	4	3	2	2
From Baltimore.....	8	6	4	3	2	2

To a limited extent differential rates also apply via Savannah, Ga. During the season of open navigation on the Great Lakes most of the ocean-rail routes meet the standard lake-rail rates to points in Illinois and to Mississippi River crossings.

In addition to the ocean-rail differential routes the Commission, in *State Corporation Commission of Virginia v. Akron, Canton & Youngstown Ry. Co.*, 251 I. C. C. 745 (1942), recently prescribed ocean-rail rates for application between Virginia ports and points in New England and portions of Trunk-Line Territory. These rates are not on a differential basis, but are constructed by applying the Eastern scale to the distances, with water miles equated to rail miles on varying bases.

B. SOUTHERN TERRITORY

The present structure of class rates within Southern Territory resulted from the Commission's decision in 1925, in *Southern Class Rate Investigation*, 100 I. C. C. 513, as modified by supplemental decisions in 1926 and 1927. (109 I. C. C. 300; 113 I. C. C. 200; 128 I. C. C. 567.) The rates resulting from this proceeding became effective January 15, 1928.

A distance scale of maximum reasonable first-class rates was prescribed for application, with certain exceptions, throughout Southern Territory. In computing distances for application of the scale the Commission, in the second supplemental report, 113 I. C. C. 200

(1926), required the use of the shortest routes over which carload traffic can be moved without transfer of lading.

Rates on the classes below first class were to bear a uniform relation to the first-class rates. The Commission required that 12 classes be set up, numbered from 1 to 12, with the following relationships to the first-class rates:

	Class											
	1	2	3	4	5	6	7	8	9	10	11	12
Percentages	100	85	70	55	45	40	35	30	25	22.5	20	17.5

The scale finally prescribed, commonly known as the "K-2" scale because published as appendix K-2 in the report of the Commission, began with a rate of 34 cents for distances of 5 miles or less. Rates increased in 5-mile blocks up to 100 miles; in 10-mile blocks to 240 miles; then in 20-mile blocks to 800 miles; and in 25-mile blocks from 800 miles to 1,500 miles. The rate of progression was 42 cents in the first 100 miles; 26 cents from 100 to 200 miles; 20 cents for each 100 miles from 200 to 400 miles; 15 cents for each 100 miles from 400 to 800 miles; and 12 cents for each 100 miles thereafter. The K-2 scale of first-class rates is shown in appendix A, herein. Following a decision of the Commission in *Class Rates within the State of North Carolina*, 238 I. C. C. 225 (1940), 248 I. C. C. 479 (1942), the Southern carriers voluntarily revised the class rates throughout Southern Territory to conform to those established within North Carolina. This resulted in lower rates for distances up to 190 miles than had previously existed.³ The K-2 scale of first-class rates as increased by *Ex Parte 123*, and modified by the carriers after the North Carolina case, is shown in appendix B, herein.

Although a single basic scale of rates was prescribed for Southern Territory generally, there were three classes of exceptions which were made.

The first exception was the special treatment given to the Florida Peninsula. Because Florida is bounded on three sides by water it has no overhead traffic, with the exception of a little that moves to and from Cuba. In order to give additional compensation to the Florida lines, the Commission prescribed a distance scale of arbitraries to be added to the basic scale for distances within Florida south of the branch of the Seaboard Air Line Railway from Jacksonville to River Junction. The arbitraries were equivalent to approximately 15 percent of the basic scale for corresponding distances.

The second exception to the general application of the basic scale was between points in Virginia and points in North Carolina. Rates between these points were not covered by the Southern class-rate investigation. In a later case, *North Carolina Corporation Commission v. Akron, Canton & Youngstown Ry. Co.*, 213 I. C. C. 259 (1935), a scale was prescribed for application between points in Virginia south of the Virginian Railway—that portion of Virginia in Southern Territory—and points in North Carolina. The scale started with the same

³ Agent F. D. Miller's Tariffs, I. C. C. Nos. 712, 710, 717, and 322.

rate as that of the basic Southern scale. From 15 to 200 miles the rates were lower than the basic scale. At 200 miles, the scales came together, and remained the same up to 400 miles, after which the Virginia-North Carolina scale was higher than the basic scale. The Virginia-North Carolina scale did not extend farther than 600 miles.

The third exception to the application of a single scale throughout the South was made in behalf of the weak and short lines. The Norfolk & Southern Railroad was permitted to apply the Florida arbitraries for distances on its lines. Arbitrarities were not prescribed for other short and weak lines. These roads were left free to adopt such arbitraries as they saw fit and then to apply for fourth-section relief to the extent necessary to enable them to compete with routes over which arbitraries did not apply. This procedure was followed and in *Rates, from, to and between Points in Southern Territory*, 191 I. C. C. 507 (1933), the necessary fourth-section relief was granted to a large number of short and weak lines. This action was virtually an approval of the various arbitraries and scales of arbitraries proposed by these lines.

Although the rates prescribed in the Southern class-rate investigation were based on distance, the Commission was careful to point out that flexibility in the application of the scale was desirable. It was particularly suggested that the carriers might find it advisable to make use of origin and destination groups of moderate extent.

C. WESTERN TRUNK-LINE TERRITORY

The class-rate structure in Western Trunk-Line Territory is the result of the decision of the Commission in 1930, in Docket No. 17,000, part 2, *Western Trunk-Line Class Rates*, 164 I. C. C. 1, and in numerous supplemental decisions. See 173 I. C. C. 637 (1931), 178 I. C. C. 619 (1931), 181 I. C. C. 301 (1931), 196 I. C. C. 494 (1933), 197 I. C. C. 57 (1933), 204 I. C. C. 595 (1934), 210 I. C. C. 312 (1935), 246 I. C. C. 119 (1941). The rates originally prescribed in the *Western Trunk-Line case* became effective December 3, 1931. Revised rates prescribed in the sixth supplemental report were made effective August 20, 1935.

The boundaries of Western Trunk-Line Territory are shown on the map on page 1. In the *Western Trunk-Line Class-Rates case* the area embraced within the territory was somewhat less extensive than indicated by our map. In general, the area covered by the Commission's investigation included the States of Wisconsin, Minnesota, North Dakota, South Dakota, northern Missouri, Iowa, Kansas, Nebraska, and Colorado as far west as the Denver-Colorado Springs-Pueblo-Trinidad line extended north to Cheyenne, Wyo., thence east to the Nebraska State line, taking in the southeast corner of Wyoming. In later proceedings, however, the Commission extended into Wyoming and the eastern half of Montana, and to Salt Lake City and Ogden, Utah, an adjustment of class rates upon the Western Trunk-Line scales. See *Public Service Commission of Wyoming v. Atchison, Topeka and Santa Fe Railway Co.*, 196 I. C. C. 413 (1933); *W. H. Bintz Co. v. Abilene and Southern Railway Co.*, 216 I. C. C. 481 (1936), 218 I. C. C. 793 (1936); *Great Falls Traffic Association v. Chicago, Burlington and Quincy Railroad Co.*, 226 I. C. C. 467 (1938), 235 I. C. C. 459 (1939).

In the *Western Trunk-Line case* the Commission set up three zones or subdivisions of the territory. These zones are shown on the map on page 1. A scale of maximum reasonable first-class rates was prescribed for each zone. The zone II scale was approximately 112 percent, and the zone III scale 120 percent of the zone I scale. The Commission held that the zoning of Western Trunk-Line Territory and the prescription of three different levels of class rates was justified, in part, by the differences in operating conditions, traffic density, population density, and competitive and commercial conditions in the different parts of the area. Zoning was also found necessary in order to build up the rates gradually to the levels prescribed in adjacent Southwestern Territory. Generally speaking, the decision in the *Western Trunk-Line case* raised the rates in the eastern portion of Western Trunk-Line Territory, and lowered them in the western portion, thus bringing the levels in the two parts of the area somewhat closer together. In addition to the three zones within the old boundaries of Western Trunk-Line Territory, the Commission recognized an area in eastern Wyoming as subzone III, which was given zone III rates. In a supplemental report, 204 I. C. C. 595 (1934), this area was given a basis of rates about 15 percent higher than the zone III rates and was called zone IV. The later extension of Western Trunk-Line rates westward, in the *Wyoming, Bintz, and Great Falls cases, supra*, was on the zone IV basis. Rates in part of eastern Wyoming were voluntarily reduced to the zone III basis by the carriers in 1941.

The Western Trunk-Line scales use 5-mile blocks for the first 100 miles; 10-mile blocks from 100 to 240 miles; 20-mile blocks from 240 to 800 miles; and 25-mile blocks beyond. The zone I first-class rates started at 32 cents for distances of 5 miles and less. The initial rates in zones II, III, and IV were 34, 36, and 38 cents, respectively. The scales of first-class rates, prior to the *Ex Parte 123* increases, are shown in appendix A. The scales subsequent to the *Ex Parte 123* increases are shown in appendix B.

The rates of progression in the rates prescribed in the *Western Trunk-Line case* were as follows: ⁴

	Zone I	Zone II	Zone III	Zone IV
5 to 100 miles.....	34	41	46	56
100 to 200 miles.....	22	26	30	34
200 to 300 miles.....	18	21	22	25
300 to 400 miles.....	18	20	22	26
400 to 500 miles.....	18	20	22	26
500 to 600 miles.....	18	20	22	25
600 to 700 miles.....	18	20	22	25
700 to 800 miles.....	13	15	17	20
800 to 900 miles.....	14	16	17	19
900 to 1,000 miles.....	13	15	17	20

In the construction of rates under the scales prescribed, distances were computed in the usual manner, that is, over the shortest routes over which carload traffic can be interchanged without transfer of lading.

Twenty-three columns of rates, having a definite relation to first-class, were prescribed by the Commission in the *Western Trunk-Line case* as follows: 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 45, 40, 37.5,

⁴ Sixth Supplemental Report, 204 I. C. C. 595 (1934). The increase authorized in *Ex Parte 123* had the effect of increasing the rates of progression.

35, *32.5*, 30, 27.5, 25, *22.5*, 20, *17.5*, 16, 14.5, 13. See 204 I. C. C. 597, 674-675. The percentages in italics represent the regular classes in Western classification, namely, 1, 2, 3, 4, A, 5, B, C, D, and E. The relationships of the rates on the regular classes to the first-class rates are the same in Western Trunk-Line and Southwestern Territories.

The subdivision of Western Trunk-Line Territory into zones, each with a different scale of rates, made it necessary to prescribe some method of constructing rates between points in different zones. The method used was to take the rate for the whole distance at the scale applicable in the lowest-rated zone through which the rate-making distance was computed, plus the zone differential for the next higher zone for the distance in that and higher zones, plus the zone differential for the next higher zone for the distance in that and higher zones, and so on for the full distance. If the distance from A to B was 450 miles, of which 100 miles was in zone I, 300 miles in zone II, and 50 miles in zone III, the rate would be the zone I rate for 450 miles, plus the zone II differential for 350 miles, plus the zone III differential for 50 miles. The zone differentials were prescribed by the Commission and represent the amount by which a rate in one zone exceeds the rate for the corresponding distance in the next lower zone. The method of building up the through rates from a point in one zone to a point in another used in the *Western Trunk-Line case* is frequently referred to as the "Western Trunk-Line formula." The term "laminated scale" is commonly used to describe rates built up in this manner.

As in the other rate territories special treatment was accorded certain short and weak lines. A list of short and weak lines authorized to add arbitraries was given by the Commission in the sixth supplemental report in the *Western Trunk-Line case*, 173 I. C. C. 637, 658 (1931).

A certain amount of grouping of origin and destination points was permitted in the *Western Trunk-Line case*, but the groups were restricted to a diameter of not more than 25 miles.

The existence of lower scales of intrastate class rates in a number of States in Western Trunk-Line Territory has brought about the voluntary establishment of certain interstate rates on the same basis.

D. SOUTHWESTERN TERRITORY

The class-rate structure in Southwestern Territory is the result of the decision of the Interstate Commerce Commission in *Consolidated Southwestern Cases*, 123 I. C. C. 203 (1927), and in 27 supplemental reports. The twenty-first supplemental report, 205 I. C. C. 601 (1934), revised the rates originally prescribed and harmonized them with those prescribed in the *Western Trunk-Line case*. The revised rates became effective on April 9, 1937.

Southwestern Territory was divided into two areas or zones, denominated zone III and zone IV as shown on the map facing page 1. The same scale of reasonable maximum class rates was prescribed for these zones as applied in zones III and IV, respectively, of Western Trunk-Line Territory.

Between points in zone III and points in zone IV, rates were constructed by applying the zone III scale for the entire distance plus the zone IV arbitraries for the distance in zone IV. The zone IV arbi-

tariff scales represent the difference between the zone IV and the zone III scales for each distance block.

Due to motortruck competition the carriers, in 1940, requested that zone IV be eliminated and that the zone III rates be applied throughout the area. The Commission authorized this to be done and tariffs carrying out this proposal became effective August 16, 1941. Since the Southwestern scale is the same as the Western Trunk-Line zone III scale, it is not necessary to repeat what was said previously regarding the length of blocks and the rates of progression. As in the application of other prescribed scales short-line distances are used.

In the twenty-first supplemental report in the *Southwestern case* the Commission required the establishment of 26 columns of rates with the rates bearing the following percentage relation to first class: 100, 85, 70, 65, 60, 55, 50, 45, 42.5, 40, 38, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 15, 13.5, 12.5, 12, 8.5. The percentages in italics represent the 10 regular classes provided by the Western Classification, namely: Classes 1, 2, 3, 4, A, 5, B, C, D, and E.

As in other rate territories short and weak lines are given special treatment. Distance scales of arbitraries have been authorized for use in connection with hauls on such lines.

Houston, Galveston, and Texas City, Tex., are grouped for hauls to or from these points for distances in excess of 200 miles.

E. MOUNTAIN-PACIFIC TERRITORY

Unlike the situation in the other rate territories there has never been a comprehensive investigation of the entire class-rate structure in Mountain-Pacific Territory.

In much of the area included in this territory the so-called Arizona scale applies. This scale of rates was prescribed by the Commission in 1926 in *Arizona Corporation Commission v. Arizona and Eastern Railway Co.*, 113 I. C. C. 52, to apply between points in Arizona, on the one hand, and points in California, New Mexico, and to El Paso, Tex., on the other. In prescribing this scale the Commission pointed out that the resulting level of rates would approximate that resulting from the so-called Portland and Klamath scales, modified by subsequent general changes in rates. The Portland scale had been prescribed in 1911 in *Portland Chamber of Commerce v. Oregon Railroad and Navigation Co.*, 21 I. C. C. 640, for application from Portland, Seattle, and Tacoma, to destinations in Washington, Oregon, Idaho, and Montana. The Klamath scale which was practically the same had been prescribed in 1922 in *Klamath County Chamber of Commerce v. Southern Pacific Co.*, 74 I. C. C. 207, for application between Portland and other Oregon points, and various points in California.

In *State of Idaho ex rel. Public Utilities Commission of Idaho v. Oregon Short Line Railroad*, 146 I. C. C. 168 (1928), the Arizona scale was applied from Portland, Oreg. to destinations in Idaho and portions of Montana served by the Oregon Short Line Railroad. In *Utah Shippers v. Oregon Short Line Railroad Company*, 147 I. C. C. 581 (1928), the scale was prescribed from Utah common points to various destinations in Idaho, Oregon, and Montana. A modified Arizona scale extending the progression of rates beyond 1,000 miles was prescribed in *Utah Shippers Traffic Ass'n v. Atchison, Topeka and Santa Fe Railway*, 172 I. C. C. 306 (1931), from Salt Lake City,

Ogden, and Provo, Utah, to various points in California, New Mexico, and Arizona, and to El Paso, Tex. This scale is sometimes called the Utah scale. The Arizona or Utah scale is shown in appendix A. The scale, with *Ex Parte 123* increases, is shown in appendix B.

Where the Commission has prescribed the Arizona scale, arbitraries may be added for joint hauls for distances not in excess of 500 miles. Higher rates are also permitted at points on branch lines by the use of constructive mileage equal to 150 percent of the actual branch line mileage.

The Arizona scale, prior to the *Ex Parte 123* increases, began with a first-class rate of 25 cents for distances of 10 miles and under. Ten-mile blocks were used for distances up to 100 miles, 20-mile blocks for distances from 100 miles to 1,000 miles, and 25-mile blocks thereafter. The scale extended to 1,500 miles.

The rate of progression of the Arizona scale, prior to the *Ex Parte 123* increases, may be indicated as follows: the first-class rate increased from 25 cents for the first 10 miles to 70 cents for 100 miles, an increase of 45 cents. Thereafter the progression was 31 cents from 100 to 200 miles, 27 cents for each hundred miles from 200 to 500 miles, 25 cents from 500 to 600 miles, 24 cents for each hundred miles from 600 to 1,000 miles, and 17 cents for each hundred miles thereafter.

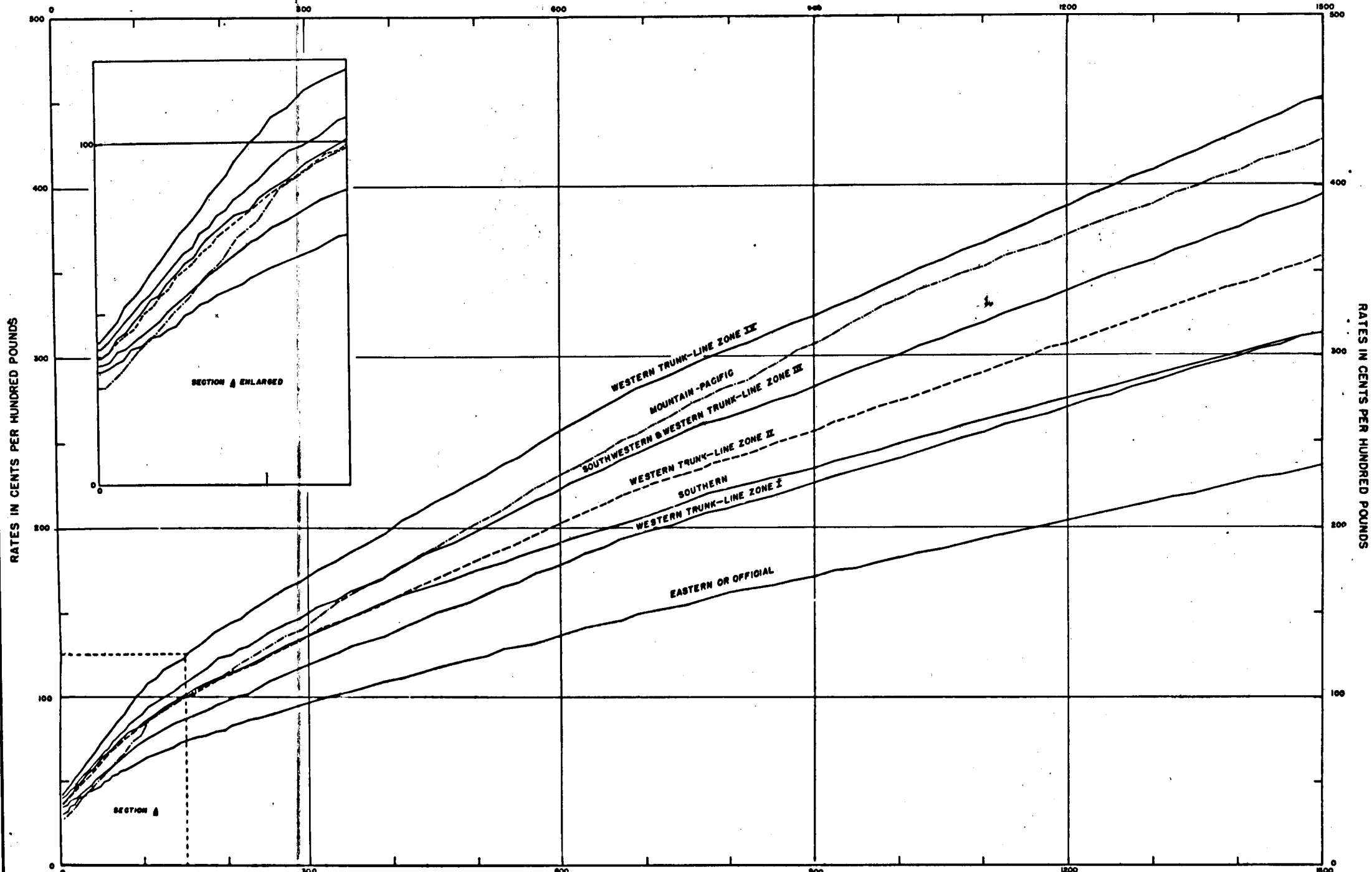
Under the Arizona scale the rates on the various classes found in Western classification are related to the first-class rates as follows:

	Class									
	1	2	3	4	A	5	B	C	D	E
Percent of first class.....	100	84	70	60	50	50	40	30	25	20

These percentage relationships differ from those found in Western Trunk-Line and Southwestern Territories, where the Western Classification also applies.

Mention should be made of the fact that water competition between the Pacific coast ports has depressed the rail rates between the same points below the scales generally applicable in Mountain-Pacific Territory. Fourth-section relief has been granted to enable the railroads to make such reduced rates between the ports without corresponding reductions at intermediate points. See *Pacific Coast Fourth Section Applications*, 129 I. C. C. 3 (1927), 165 I. C. C. 373 (1930), 173 I. C. C. 577 (1931), 190 I. C. C. 273 (1932), 223 I. C. C. 495 (1937). Relief granted is subject to the condition that rates at the intermediate points shall not be more than 100 percent higher than the rates between the ports, and that in no case shall the rates at intermediate points exceed the lowest combination. The latter provision operates to reduce many intermediate-point rates below noncompetitive levels. The depressed rates between the ports also affect rates to and from interior points because of the possibility of combinations based upon the low port-to-port rates.

Board of Investigation and Research
TRANSPORTATION ACT OF 1940
DISTANCE IN MILES



DISTANCE IN MILES
INTRATERRITORIAL SCALES OF FIRST-CLASS RATES
PRESCRIBED BY INTERSTATE COMMERCE COMMISSION*

*INCLUDES EX PARTE 123 INCREASES

CHAPTER III

INTRATERRITORIAL CLASS-RATE LEVELS

A. LEVELS OF FIRST-CLASS RATES

The distance scales of first-class rates which have been prescribed by the Interstate Commerce Commission for application within the various class-rate territories have been plotted on a chart, and are shown in figure 2. The scales as plotted include the 10-percent increases in rates authorized by the Interstate Commerce Commission in *Ex Parte 123, Fifteen Percent Case, 1937-1938*, 226 I. C. C. 41 (1938).¹ They do not include the further temporary increases authorized in *Ex Parte 148, Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545 (1942).²

Although the lines representing the scales cross at a number of points, it is clear that the lowest scale is the Eastern or Official Territory scale, and the highest is the Western Trunk-Line zone IV scale. The next to the lowest scale is that applicable in Western Trunk-Line zone I. The Southern scale is somewhat higher than the Western Trunk-Line zone I scale.

For the purpose of comparing the levels of those scales the Eastern scale has been used as the base. Table 5 shows that the percentage relation of the rates under the various scales to the Eastern rates is not constant for the various mileage blocks. Thus the Southern first-class rate for distances of 21 to 25 miles is only 115 percent of the rate under the Eastern scale, but becomes 144.1 percent of the Eastern rate for distances of 401 to 420 miles. Generally speaking, the rates for the longer distances are higher relative to the Eastern rates than are the rates for the shorter distances, although the Southern scale reaches its maximum percent of the Eastern scale for distances of 401 to 420 miles as noted above.

Various methods have been used to compare the average relation of these scales of first-class rates. A method commonly used is to add the rates for each mileage block up to a given distance, and then determine the percentage relation of the totals of the various scales. The weakness of this method is that it applies a haphazard system of weights. This weighting occurs because rates are quoted by 5-mile blocks up to certain distances, then by 10-mile blocks, then by 20-mile blocks, and eventually 25-mile blocks. The average relationship determined by this method gives greater weight to the relationship existing for the shorter distances, since more short-distance rates are included, and gives less weight to the longer distances.

¹ Increases of only 5 percent were authorized on products of agriculture, animals and animal products, lumber and articles taking lumber rates, cottonseed oil, etc., although to some extent these move on class rates. No increases were authorized on bituminous coal and a few other commodities but these do not move on class rates.

² This increase was 6 percent generally, but 3 percent on certain basic agricultural products, animals and animal products, and products of mines, some of which move on class rates. The *Ex Parte 148* increases were to expire "6 months after the termination of the present war," but in a decision on further hearing, the Commission, on April 6, 1943, suspended the increases from May 15, 1943, to January 1, 1944.

TABLE 5.—Comparative levels of first-class rates in Eastern, Southern, Western Trunk-Line and Southwestern Territories¹

[Rates are in cents per hundred pounds]

Miles	Eastern appendix E scale, first-class rate	Southern K-3 scale ²		Western Trunk-Line and Southwestern								Mountain-Pacific scale	
		First-class rate	Percent of Eastern scale	Zone I scale		Zone II scale		Zone III scale		Zone IV scale		First-class rate	Percent of Eastern scale
				First-class rate	Percent of Eastern scale	First-class rate	Percent of Eastern scale	First-class rate	Percent of Eastern scale	First-class rate	Percent of Eastern scale		
1 to 5	33	40	121.2	35	106.1	37	112.1	40	121.2	43	127.3		
6 to 10	34	40	117.6	36	105.9	40	117.6	43	123.5	45	132.4	28	82.4
11 to 15	36	42	116.7	39	108.3	42	116.7	45	125.0	48	133.5		
16 to 20	37	44	118.9	40	108.1	44	118.9	47	127.0	52	140.5	33	89.2
21 to 25	40	46	115.0	42	105.0	46	115.0	51	127.5	55	137.5		
26 to 30	41	48	117.1	44	107.3	50	122.0	54	131.7	58	141.5	39	95.1
31 to 35	43	51	118.6	46	107.0	52	120.9	56	130.2	62	144.2		
36 to 40	44	53	120.3	48	109.1	55	125.0	59	134.1	65	147.7	44	100.0
41 to 45	46	55	119.6	51	110.9	57	123.9	62	134.8	68	147.8		
46 to 50	47	57	121.3	53	112.8	61	129.8	65	138.3	72	153.2	50	106.4
51 to 55	50	59	118.0	55	110.0	63	126.0	68	136.0	75	150.0		
56 to 60	51	62	121.6	57	111.8	65	127.5	70	137.3	78	152.9	55	107.8
61 to 65	53	64	120.8	59	111.3	68	128.3	74	139.6	81	152.8		
66 to 70	54	66	122.2	62	114.8	70	129.6	76	140.7	85	157.4	61	113.0
71 to 75	56	68	121.4	64	114.3	73	130.4	79	141.1	88	157.1		
76 to 80	57	70	122.5	66	115.8	75	131.6	81	142.1	91	159.6	66	115.6
81 to 85	58	73	125.9	68	117.2	77	132.8	84	144.8	95	163.6		
86 to 90	59	75	127.1	70	118.6	79	133.9	86	145.8	98	166.1	73	121.7
91 to 95	61	77	126.2	72	118.0	81	132.8	88	144.3	101	165.6		
96 to 100	62	79	127.4	73	117.7	83	133.9	90	145.2	103	166.1	77	124.2
101 to 110	64	83	129.7	76	118.8	86	134.4	94	146.9	108	168.8		
111 to 120	66	86	130.3	78	118.2	89	134.8	97	147.0	111	168.2	87	131.6
121 to 130	68	89	130.9	81	119.1	92	135.3	100	147.1	116	170.6		
131 to 140	70	92	131.4	84	120.0	95	135.7	103	147.1	119	170.0	94	134.3
141 to 150	73	96	131.5	86	117.8	98	134.2	107	146.6	122	167.1		
151 to 160	74	99	133.8	88	118.9	100	135.1	110	148.6	127	171.6	99	133.8
161 to 170	76	102	134.2	90	118.4	103	135.5	113	148.7	130	171.1		
171 to 180	77	106	137.7	92	119.5	106	137.7	117	151.9	134	174.0	106	137.7
181 to 190	79	109	138.0	95	120.3	109	138.0	120	151.9	138	174.7		
191 to 200	80	112	140.0	97	121.3	111	138.8	123	153.8	141	176.3	111	138.8
201 to 210	83	114	137.3	99	119.3	113	136.1	125	150.6	144	173.5		
211 to 220	84	117	139.3	101	120.2	116	138.1	128	152.4	146	173.8	118	140.5
221 to 230	86	119	138.4	102	118.6	118	137.2	130	151.2	150	174.4		
231 to 240	87	121	139.1	105	120.7	121	139.1	133	152.9	153	175.9	124	142.5
241 to 250	90	125	138.9	109	121.1	125	138.9	138	153.3	158	175.6	130	144.4
261 to 280	92	130	141.3	113	122.8	131	142.4	143	155.4	164	178.3	136	147.8
281 to 300	96	134	139.6	117	121.9	134	139.6	147	155.1	168	175.0	141	146.9
301 to 320	98	139	141.8	121	123.5	139	141.8	153	156.1	175	178.6	147	150.0
321 to 340	101	143	141.6	125	123.8	143	141.6	157	155.4	180	178.2	154	152.5
341 to 360	103	147	142.7	130	126.2	147	142.7	163	158.3	186	180.6	160	155.3
361 to 380	106	152	143.4	133	125.5	152	143.4	167	157.5	191	180.2	166	156.6
381 to 400	109	156	143.1	136	124.8	156	143.1	172	157.8	197	180.7	171	156.9
401 to 420	111	160	144.1	141	127.0	161	145.0	177	159.5	204	183.5	176	158.6
421 to 440	114	163	143.0	145	127.2	165	144.7	183	160.5	209	183.3	183	160.5
441 to 460	117	166	141.9	150	128.2	169	144.4	187	159.9	215	183.8	188	160.7
461 to 480	119	169	142.0	153	128.6	174	146.2	191	160.5	220	184.9	194	163.0
481 to 500	122	173	141.8	156	127.9	178	145.9	196	160.7	226	185.2	200	163.9
501 to 520	124	176	141.9	161	129.8	183	147.6	201	162.1	231	186.3	206	165.3
521 to 540	128	179	139.8	165	128.9	187	146.1	206	160.9	237	185.2	210	164.1
541 to 560	130	183	140.8	168	129.2	191	146.9	211	162.3	242	186.2	217	166.9
561 to 580	132	186	140.9	173	131.1	196	148.5	216	163.6	248	187.9	223	168.9
581 to 600	135	189	140.0	176	130.4	200	148.1	220	163.0	253	187.4	229	168.9
601 to 620	138	193	139.9	180	130.4	205	148.6	226	163.8	259	187.7	233	168.9
621 to 640	141	196	139.0	185	131.2	209	148.2	230	163.1	264	187.2	239	169.5
641 to 660	143	199	139.2	188	131.5	213	149.0	234	163.6	270	188.8	244	170.6
661 to 680	145	202	139.3	193	133.1	218	150.3	240	165.5	275	189.7	250	172.4
681 to 700	149	206	138.3	196	131.5	222	149.0	244	163.8	281	188.6	254	170.8
701 to 720	151	209	138.4	199	131.8	226	149.7	249	164.9	286	188.7	260	172.2
721 to 740	153	212	138.6	201	131.4	229	149.7	252	164.7	289	188.9	265	173.2
741 to 760	155	216	139.4	205	132.3	232	149.7	256	165.2	294	189.7	271	174.8
761 to 780	157	219	139.5	208	132.5	235	149.7	260	165.6	298	189.8	276	175.8
781 to 800	160	222	138.8	210	131.3	239	149.4	263	164.4	303	189.4	281	175.6
801 to 820												286	175.5

¹ Include *Ex Parte* 125 increases.

² As modified by carriers following decision I. C. C. Docket 27900, *In the Matter of Class Rates within the State of North Carolina*, 248 I. C. C. 479 (1942).

TABLE 5.—Comparative levels of first-class rates in Eastern, Southern, Western Trunk-Line and Southwestern Territories¹—Continued

[Rates are in cents per hundred pounds]

Miles	Eastern appendix E scale, first-class rate	Southern K-2 scale ²		Western Trunk-Line and Southwestern								Mountain-Pacific scale	
		First-class rate	Percent of Eastern scale	Zone I scale		Zone II scale		Zone III scale		Zone IV scale		First-class rate	Percent of Eastern scale
				First-class rate	Percent of Eastern scale	First-class rate	Percent of Eastern scale	First-class rate	Percent of Eastern scale	First-class rate	Percent of Eastern scale		
801 to 825.....	163	226	138.7	215	131.9	243	149.1	268	164.4	308	189.0	292	177.0
821 to 840.....	165	229	138.8	218	132.1	248	150.3	273	165.5	314	190.3	297	176.8
826 to 850.....	168	232	138.1	222	132.1	252	150.0	277	164.9	319	189.9	303	177.2
841 to 860.....	171	235	137.4	226	132.2	256	149.7	282	164.9	323	188.9	307	179.5
851 to 875.....	174	239	137.4	230	132.2	261	150.0	287	164.9	329	189.1	312	179.3
861 to 880.....	176	242	137.5	233	132.4	265	150.6	292	165.9	334	189.8	318	180.7
876 to 900.....	179	245	136.9	237	132.4	270	150.8	296	165.4	340	189.9	323	180.4
881 to 900.....	182	249	136.8	240	131.9	273	150.0	300	164.8	345	189.6	329	180.8
901 to 920.....	182	249	136.8	240	131.9	273	150.0	300	164.8	345	189.6	333	183.0
921 to 940.....													
926 to 950.....													
941 to 960.....													
961 to 975.....													
961 to 980.....													
976 to 1000.....													
981 to 1000.....													

To overcome this weakness of the usual method, it was decided to total the rates taken at equal intervals of distance throughout the scale and determine the relationship of the totals. If equal intervals are chosen the results are practically the same whether the interval chosen is 5 miles, 10 miles, 15 miles, or 25 miles throughout the scale. The 25-mile interval was chosen for the computations since it shortens the process of calculation.

The average relationship of the scales will depend to some extent upon the distances used. Table 6 shows the average relationship of

TABLE 6.—Relationship of intraterritorial scales of first-class rates up to 1,000 miles¹

To—	Relationship of—						
	Eastern ²	Southern ³	Western Trunk-Line ⁴				Mountain-Pacific ⁵
			Zone I	Zone II	Zone III ⁶	Zone IV	
Eastern.....	100.0	138.5	128.4	146.0	160.6	184.2	165.5
Southern.....	72.2	100.0	92.7	105.4	116.0	133.0	119.5
Western Trunk-Line:							
Zone I.....	77.9	107.8	100.0	113.7	125.1	143.5	128.9
Zone II.....	68.5	94.9	88.0	100.0	110.0	126.2	113.4
Zone III ⁶	62.3	86.2	79.9	90.9	100.0	114.7	103.0
Zone IV.....	54.3	75.2	69.7	79.2	87.2	100.0	89.8
Mountain-Pacific.....	60.4	83.7	77.6	88.2	97.1	111.3	100.0

¹ Based upon sum of first-class rates for each 25 miles up to 1,000 miles. Includes increases authorized by Ex Parte 123.

² Eastern Class Rate Investigation, 164 I. C. C. 314 (1930).

³ Southern Class Rate Investigation, 113 I. C. C. 200 (1926), as modified by the carriers following the Commission's decision in the Matter of Class Rates within the State of North Carolina, 238 I. C. C. 225 (1940).

⁴ Western Trunk-Line Class Rates, 204 I. C. C. 595 (1934). Consolidated Southwestern Cases, 205 I. C. C. 601 (1934).

⁵ Utah Shippers v. A. T. & S. F. Ry. Co., 172 I. C. C. 306 (1931).

⁶ The Western Trunk-Line Zone III scale also applies in Southwestern Territory.

the scales up to 1,000 miles, and table 7 shows the relationship up to 1,500 miles. Since there can be relatively few hauls within Southern and Eastern Territories of over 1,000 miles, it seems advisable to adopt the percentage relationship of the rates up to that distance as the better measure of the average relationship of the scales.

TABLE 7.—*Relationship of intraterritorial scales of first-class rates up to 1,500 miles*¹

To—	Relationship of—						
	Eastern ²	South- ern ³	Western Trunk-Line ⁴				Mountain- Pacific ⁵
			Zone I	Zone II	Zone III ⁶	Zone IV	
Eastern.....	100.0	136.6	130.4	148.3	163.1	187.2	173.0
Southern.....	73.2	100.0	94.4	108.5	119.4	137.0	126.6
Western Trunk-Line:							
Zone I.....	76.7	104.8	100.0	113.7	125.1	143.6	132.7
Zone II.....	67.4	92.1	87.9	100.0	110.0	126.2	116.7
Zone III ⁶	61.3	83.7	79.9	90.9	100.0	114.7	106.0
Zone IV.....	53.4	73.0	69.6	79.2	87.1	100.0	92.4
Mountain-Pacific.....	57.8	79.0	73.4	83.7	94.3	108.2	100.0

¹ Based upon sum of first-class rates for each 25 miles up to 1,500 miles. Includes increases authorized by *Ex Parte 143*.

² *Eastern Class Rate Investigation*, 164 I. C. C. 314 (1930).

³ *Southern Class Rate Investigation*, 113 I. C. C. 200 (1926), as modified by the carriers following the Commission's decision in *The Matter of Class Rates Within the State of North Carolina*, 239 I. C. C. 225 (1940).

⁴ *Western Trunk-Line Class Rates*, 204 I. C. C. 595 (1934). *Consolidated Southwestern Cases*, 208 I. C. C. 601 (1934).

⁵ *Utah Shippers v. A. T. & S. F. Ry. Co.*, 172 I. C. C. 306 (1931).

⁶ The Western Trunk-Line Zone III scale also applies in Southwestern Territory.

If the Eastern first-class rates are taken as 100 the average relationship of the first-class rates under the various intraterritorial scales may be expressed generally as follows:

Eastern or Official.....	100
Southern.....	139
Western Trunk-Line, zone I.....	128
Western Trunk-Line, zone II.....	146
Western Trunk-Line, zone III and Southwestern.....	161
Western Trunk-Line, zone IV.....	184
Mountain-Pacific.....	166

The meaning of the comparison shown above should be made clear. Both too little and too much significance have been attached to comparisons of scales in this manner. In the first place, although the above comparison is of first-class rates, the same relationship holds true of rates on the lower classes of freight if they bear the same percentage relationship to first class. Thus, the relationship of the first-class rates in the various territories is also the relationship of rates that are 50 percent of first class, or 27 percent, or any other percent of first class.

On the other hand, if articles are rated a different percent of first class in two different rate territories the above relationships do not hold true. These differences in ratings may increase or decrease the differences in rates, or may even result in higher rates on a given article in the territory which normally has the lower rates. Since many commodity rates are tied to the class rates by being made a certain percent of the first-class rates, many commodity-rate levels are also measured by the relationship of the first-class rates. Frequently, however, commodity rates are not the same percent of first

class in all territories. Thus, cottonseed oil in carloads is 30 percent of first class in Official Territory, but 25 percent of first class in Southern Territory, making the Southern rates only about 116 percent of the Official Territory level. Similarly, on unfinished cotton piece goods, any quantity, the Official Territory basis is 57 percent of first class, but in Southern Territory the normal basis is 45 percent of first class, which makes the Southern level about 10 percent higher than the Official Territory level. The average relation of first-class rates therefore measures the relation of commodity rates when, but only when, the rates are the same percent of first class in the territories for which comparisons are being made.

The territorial differences in the levels of first-class rates shown in this section are large, but they have apparently been even greater in the past. The trend during the past 25 or 30 years has been toward reducing the spreads in class-rate levels. In 1914 a 5 percent increase in rates was authorized in Official Territory, but no corresponding increase was made in the South or West. See *The Five Percent Case*, 31 I. C. C. 351 and 32 I. C. C. 325. Further increases were authorized in Eastern Territory in *The Fifteen Percent Case*, 45 I. C. C. 303 (1917). The 25 percent increase made in 1918 by order of the Director General of Railroads, applied in all territories, but in *Increased Rates, 1920*, 58 I. C. C. 220, the rates in Eastern Territory were advanced 40 percent, but the increases in the South were only 25 percent. Mountain-Pacific rates were also increased 25 percent, and in the rest of Western Territory the increase authorized was 35 percent. The class rates prescribed in the *Southern Class Rate Investigation*, 100 I. C. C. 513 (1925), did not appreciably change the level of class rates in the South, but the *Eastern Class Rate Investigation*, 164 I. C. C. 314 (1930), increased somewhat the level of class rates in that area. Commissioner Aitchison has stated that the increase amounted to about 5 percent. See dissenting opinion in *General Rate Level Investigation, 1933*, 195 I. C. C. 5, 72, 76. Thus the narrowing spread between the class-rate levels in the various territories has been brought about by raising the level of rates in Eastern Territory to a greater degree than in the other territories.

B. ANALYSIS OF CONSOLIDATED FREIGHT CLASSIFICATION No. 15

It has been pointed out above that the average relation of first-class rates in the various rate territories measures the relation of rates on lower-classed articles provided the articles are rated the same, in percent of first class, in the different territories. It is conceivable that enough articles might be rated lower in the territory having the higher first-class rates to make the average level of class rates actually lower than in the other territory. On the other hand, if many articles had higher ratings in the territory having the higher level of first-class rates, the differences in average rate levels might be greater than is indicated by differences in the levels of first-class rates. On particular articles, furthermore, the relative rate levels are frequently quite different from the relative levels of first-class rates, owing to differences in classification ratings. It is therefore important to examine the three major freight classifications in order to determine the extent to which ratings are uniform, and the extent to which differences in ratings make the differences in class-rate levels greater or less than the

differences in levels of first-class rates. Consolidated Freight Classification No. 15 has been analyzed with these purposes in view. The analysis does not include changes made by supplements, with the exception of two items in the classification (No. 14145 and No. 42105) in which obvious errors were corrected by supplement. Items not given a rating in all three classification territories were omitted, 36 in number, as also were a few items making reference to commodity rates.

At the outset it must be recognized that the class designations of the regular classes are not uniform in the three classifications, nor do the rates on the various classes bear the same percentage relationship to first class in the different rate territories. For these reasons, the extent of uniformity in classification cannot be ascertained unless the ratings in the three classifications are expressed in terms of a percent of first-class rates. Table 8 shows the regular class designations in the three classifications and their relation to first class. In addition to these regular classes other ratings may be found in the classification proper which are stated as a percent of first class. It should be noted that classes 2 and 3 are uniformly 85 and 70 percent, respectively, of first class in all three classification territories. Below third class, however, class designations and relationships to first class vary to some extent.

Tables 9, 10, and 11 show the number of carload, less-carload, and any-quantity ratings in each class in each of the three classifications. Table 12 is a condensed table which shows the distribution of ratings in the three classification territories in a general way.

TABLE 8.—Class designations in the three major classifications, and the relation of rates in each class to first-class rates

Official		Southern		Western		
Class designation	Percent of first class	Class designation	Percent of first class	Class designation	Percent of first class	
					Western Trunk-Line and South-western	Mountain-Pacific
1.....	100	1.....	100	1.....	100	100
2.....	85	2.....	85	2.....	85	85
Rule 2A.....	70	3.....	70	3.....	70	70
3.....	70	4.....	55	4.....	55	60
Rule 2B.....	55	5.....	45	A.....	45	50
4.....	50	6.....	40	B.....	37½	50
5.....	35	7.....	35	C.....	32½	40
6.....	27½	8.....	30	D.....	30	30
		9.....	25	E.....	22½	25
		10.....	22½		17½	20
		11.....	20			
		12.....	17½			

TABLE 9.—Classification ratings—Official Classification

Rating	Percent of first-class rate	Number of ratings			
		Carload	Any-quantity	Less-carload	Total
4 t 1	400			2	2
3 t 1	300		6	16	22
2 1/2 t 1	250		1	20	21
D1	200	5	4	354	363
1 3/4	175			11	11
1 1/2	150	3	2	472	477
1 1/4	125	19		95	114
110	110			1	1
1	100	212	34	2,074	2,320
2	85	763	15	2,649	3,427
75	75	2			2
3	70	1,422	14	2,701	4,137
70	70	2			2
65	65	6			6
60	60	3		13	16
57	57			1	1
R26	55	1,241		610	1,851
55	55	7			7
4	50	1,146	3	991	2,140
50	50	3			3
45	45	322			322
40	40	1,071		33	1,104
37 1/2	37 1/2	750			750
5	35	2,529			2,529
32 1/2	32 1/2	7			7
30	30	84			84
6	27 1/2	658			658
25	25	31			31
22 1/2	22 1/2	18			18
20	20	1			1
Total		10,305	79	10,043	20,427

TABLE 10.—Classification ratings—Southern Classification

Rating	Percent of first-class rate	Number of ratings			
		Carload	Any-quantity	Less-carload	Total
4 t 1	400			2	2
3 t 1	300		6	16	22
2 1/2 t 1	250		1	20	21
D1	200	3	4	354	361
1 3/4	175			11	11
1 1/2	150	2	2	472	476
1 1/4	125	18		95	113
110	110			1	1
1	100	201	31	2,056	2,288
2	85	580	13	2,584	3,177
77 1/2	77 1/2	24			24
75	75	4			4
3	70	1,508	6	2,407	3,921
70	70	3			3
65	65	11			11
60	60	6			6
4	55	2,086	12	907	3,005
55	55	5			5
50	50	93	3	688	784
5	45	1,100		193	1,293
45	45	5			5
6	40	3,027	1	233	3,261
40	40	7			7
37 1/2	37 1/2	145			145
7	35	336			336
35	35	1			1
32 1/2	32 1/2	139			139
8	30	619		4	623
27 1/2	27 1/2	42			42
9	25	45			45
10	22 1/2	174			174
11	20	37			37
12	17 1/2	84			84
Total		10,305	79	10,043	20,427

TABLE 11.—Classification ratings—Western Classification

Rating	Percent of first-class rate		Number of ratings			
	Western Trunk-Line and South-western	Mountain-Pacific	Carload	Any-quantity	Less-carload	Total
411.....	400	400			2	2
311.....	300	300		6	16	22
211.....	250	250		1	20	21
D1.....	200	200	3	4	354	361
114.....	175	175			11	11
114.....	150	150	2	2	472	476
114.....	125	125	18		95	113
110.....	110	110			1	1
1.....	100	100	203	33	2,066	2,202
2.....	85	85	593	16	2,607	3,216
77½.....	77½	77½	24			24
75.....	75	75	2			2
7.....	70	70	1,403	14	2,605	4,022
70.....	70	70	153			153
65.....	65	65	11			11
60.....	60	60	1			1
4.....	55	60	2,224	3	1,804	4,031
55.....	55	55	23			23
50.....	50	50	58			58
45.....	45	45	9			9
A.....	45	50	1,803			1,803
42½.....	42½	42½	1			1
40.....	40	40	18			18
5.....	37½	50	2,796			2,796
35.....	35	35	8			8
B.....	32½	40	202			202
C.....	30	30	371			371
D.....	22½	25	168			168
E.....	17½	20	121			121
Total.....			10,305	79	10,043	20,427

TABLE 12.—Summary of distribution of ratings in Consolidated Freight Classification No. 15

	Number of ratings			
	Official	Southern	Western	
			Western Trunk-Line and South-western	Mountain-Pacific
Over first class.....	1,011	1,007	1,007	1,007
First class or over.....	3,331	3,295	3,299	3,299
70 percent of first class or over.....	10,899	10,424	10,716	10,716
55 percent of first class or less.....	9,505	9,946	9,699	8,698
40 percent of first class or less.....	5,182	4,894	3,774	978
30 percent of first class or less.....	792	1,005	660	660

The extent of uniformity of ratings in the three classifications, in terms of percent of first class, is shown in table 13. The percentage relation of the rates on the lower classes to first class is different in Mountain-Pacific Territory than in Western Trunk-Line and Southwestern Territories. The percentages applicable in the latter territories have been used in this analysis. The discussion of uniformity which follows must therefore be considered as not including Mountain-Pacific Territory. It will be noted that 12,365 ratings out of 20,427 are the same in all three classifications, while 8,062 are different in one or more classifications. The degree of uniformity is much greater in less-carload ratings than in carload ratings. Thus

8,533 less-carload ratings out of 10,093, or 84.5 percent are uniform, while only 3,769 carload ratings out of 10,305 or 36.6 percent are uniform. It is noticeable that the Southern Classification has 772 less-carload ratings that are lower than the corresponding items in Official Classification, and only 18 that are higher. But on carload traffic there are 4,027 ratings which are higher than the Official Classification ratings, as compared with only 1,344 that are lower. The Western Classification has more carload ratings that are higher than the Official Classification than are lower than the Official Classification. The same is true of the less-carload ratings in Western Territory.

TABLE 13.—Comparison of Official, Southern, and Western Classification ratings (in terms of percentage relation to first-class rates)¹

	Number of ratings			
	Less-carload	Any quantity	Carload	Total
Same in all classifications.....	8,533	63	3,769	12,365
Different in one or more classifications.....	1,510	16	6,536	8,062
Same in Southern as Official.....	10,043	79	10,305	20,427
Higher in Southern than Official.....	9,253	63	4,934	14,250
Lower in Southern than Official.....	18	0	4,027	4,045
Same in Western as Official.....	772	16	1,344	2,132
Same in Western as Official.....	10,043	79	10,305	20,427
Higher in Western than Official.....	8,788	78	4,414	13,280
Lower in Western than Official.....	1,033	0	4,885	5,918
Same in Southern as Western.....	222	1	1,006	1,229
Same in Southern as Western.....	10,043	79	10,305	20,427
Higher in Southern than Western.....	8,731	63	6,134	14,928
Lower in Southern than Western.....	7	0	2,253	2,260
Same in Southern as Western.....	1,305	16	1,918	3,239
	10,043	79	10,305	20,427

¹ In compiling this table the percentage relations to first class used for Western Classification are those applicable in Western Trunk-Line and Southwestern Territories.

Although there are many items in the Consolidated Freight Classification which take higher or lower ratings in one classification territory than in another, the average relation of the items to first class is almost the same in all three classifications, except that the average is somewhat higher in Mountain-Pacific Territory. This is shown in table 14. The number of commodity descriptions taking each rating in each classification is shown in this table. This number is multiplied by the percentage relation of that class to first class. The sum of the products is divided by the total number of ratings to get the average relation to first class. The average relation to first class is 68.26 percent in Official Territory, and 68.14 percent in Southern Territory. Thus there is a remarkable closeness in the average relation of the ratings to first class in the two territories. The Western Classification ratings average 69.02 percent of first-class in Western Trunk-Line and Southwestern Territories, and 72.30 percent in Mountain-Pacific Territory. The higher average relation to first class in Mountain-Pacific Territory is due to the fact that class 4 is 60 percent of first class instead of 55 percent as in the remainder of Western Territory, class A is 50 percent of first class instead of 45 percent, class 5 is 50 percent instead of 37½, class B is 40 percent instead of 32½, and class E is 20 percent instead of 17½.

TABLE 14.—Frequency of ratings, Official, Southern, and Western Classifications, and average relation to first class

Percent of first class	Number of ratings, Official Classification	Column 1 X Column 2	Number of ratings, Southern Classification	Column 1 X Column 4	Number of ratings, Western Trunk-line and South-western Territories	Column 1 X Column 6	Number of ratings, Mountain-Pacific Territory	Column 1 X Column 8
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
400.....	2	800	2	800	2	800	2	800
300.....	22	6,600	22	6,600	22	6,600	22	6,600
250.....	21	5,250	21	5,250	21	5,250	21	5,250
200.....	363	72,600	361	72,200	361	72,200	361	72,200
175.....	11	1,925	11	1,925	11	1,925	11	1,925
150.....	477	71,550	476	71,400	476	71,400	476	71,400
125.....	114	14,250	113	14,125	113	14,125	113	14,125
110.....	1	110	1	110	1	110	1	110
100.....	2,320	232,000	2,288	228,800	2,292	229,200	2,292	229,200
85.....	3,427	291,295	3,177	270,045	3,216	273,360	3,216	273,360
77.5.....	0	0	24	1,860	24	1,860	24	1,860
75.....	2	150	4	300	2	150	2	150
70.....	4,139	289,730	3,924	274,680	4,175	292,250	4,175	292,250
65.....	6	390	11	715	11	715	11	715
60.....	16	960	6	360	1	60	4,032	241,920
57.....	1	57	0	0	0	0	0	0
55.....	1,858	102,190	3,010	165,550	4,054	222,970	23	1,265
50.....	2,143	107,150	784	39,200	58	2,900	4,657	232,850
45.....	322	14,490	1,298	58,410	1,812	81,540	9	405
42.5.....	0	0	0	0	1	43	1	43
40.....	1,104	44,160	3,268	130,720	718	720	310	12,400
37.5.....	750	28,125	145	5,438	2,796	104,850	0	0
35.....	2,529	88,515	337	11,795	8	280	8	280
32.5.....	7	228	139	4,518	292	9,490	0	0
30.....	84	2,520	623	18,690	371	11,130	371	11,130
27.5.....	658	18,095	42	1,155	0	0	0	0
25.....	31	775	45	1,125	0	0	168	4,200
22.5.....	18	405	174	3,915	168	3,780	0	0
20.....	1	20	37	740	0	0	121	2,420
17.5.....	0	0	84	1,470	121	2,118	0	0
Total.....	20,427	1,394,340	20,427	1,391,896	20,427	1,409,826	20,427	1,476,858
Average relation to first class, percent.....		68.26		68.14		69.02		72.30

Since the average relationship of the ratings to first class is substantially the same in all territories except Mountain-Pacific Territory, it cannot be said that the higher levels of class rates in Southern and Western Territories tend to be offset by lower classification ratings. Of course this is done on individual items, but it is not done to the extent that it affects the average relation of the ratings to first class. On the other hand, it cannot be said that territorial differences in rate levels, on the average, are made greater by higher ratings in the territories having the higher class rates, except such as is indicated by the higher average relation of the ratings to first class in Mountain-Pacific Territory.

If the average relations of the carload and less-carload ratings to first class in the various territories are computed separately, the same general situation is disclosed as just described. Table 15 shows that the average relation of the carload ratings to first class is 49.72 percent in Official Territory, 50.56 percent in Southern Territory, and 51.04 percent in Western, Trunk-Line, and Southwestern Territories. In Mountain-Pacific Territory, however, the average relationship of the carload ratings to first class is higher, amounting to 56.67 percent. Table 16 shows the average relation of the less-carload ratings to

first class in the various territories. The average relation to first class in Official Territory is 86.93 percent; in Southern Territory, 85.86 percent; in Western Trunk-Line and Southwestern Territories, 87.11 percent; and in Mountain-Pacific Territory, 88.01 percent. In contrast to the carload ratings, the less-carload ratings in Mountain-Pacific Territory show only a slightly higher relation to first class than in the other territories.

TABLE 15.—Frequency of carload ratings, Official, Southern, and Western Classifications, and average relation to first class

Percent of first class	Number of ratings, Official Classification	Column 1 X Column 2	Number of ratings, Southern Classification	Column 1 X Column 4	Number of ratings, Western Trunk-Line and Southwestern Territories	Column 1 X Column 6	Number of ratings, Mountain-Pacific Territory	Column 1 X Column 8
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
400								
300								
250								
200	5	1,000	3	600	3	600	3	600
175								
150	3	450	2	300	2	300	2	300
125	19	2,375	18	2,250	18	2,250	18	2,250
110								
100	212	21,200	201	20,100	203	20,300	203	20,300
85	763	64,855	580	49,300	593	50,405	593	50,405
77½			24	1,860	24	1,860	24	1,860
75	2	150	4	300	2	150	2	150
70	1,424	99,680	1,511	105,770	1,556	108,920	1,556	108,920
65	6	390	11	715	11	715	11	715
60	3	180	6	360	1	60	2,225	133,500
57								
55	1,248	68,640	2,091	115,005	2,247	123,585	23	1,265
50	1,149	57,450	93	4,650	58	2,900	4,657	232,850
45	322	14,490	1,105	49,725	1,812	81,540	9	405
42½					1	43	1	43
40	1,071	42,840	3,034	121,360	18	720	310	12,400
37½	750	28,125	145	5,438	2,796	104,850		
35	2,529	88,515	337	11,795	8	280	8	280
32½	7	228	139	4,518	292	9,490		
30	84	2,520	619	18,570	371	11,130	371	11,130
27½	658	18,095	42	1,155				
25	31	775	45	1,125			168	4,200
22½	18	405	174	3,915	168	3,780		
20	1	20	37	740			121	2,420
17½			84	1,470	121	2,118		
Total	10,305	512,383	10,305	521,021	10,305	525,996	10,305	583,993
Average relation to first class, percent.		49.72		50.56		51.04		56.67

The statement that the average relation of the classification ratings to first class is nearly the same in all the rate territories, except Mountain-Pacific Territory, is true so far as the regular classification ratings are concerned. Many classification ratings, however, are superseded by ratings published in Exceptions to the Classification. It is necessary, therefore, to examine the changes wrought by the classification exceptions before any general statement can be made concerning the territorial levels of rates on class traffic, i. e., traffic which moves on ratings found in the classification proper, or in the exceptions.

INTERTERRITORIAL FREIGHT RATES

TABLE 16.—Frequency of less-carload ratings, Official, Southern, and Western Classifications, and average relation to first class

Percent of first class	Number of ratings, Official Classification	Column 1 X Column 2	Number of ratings, Southern Classification	Column 1 X Column 4	Number of ratings, Western Trunk-Line and South-western Territories	Column 1 X Column 6	Number of ratings, Mountain-Pacific Territory	Column 1 X Column 8
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
400.....	2	800	2	800	2	800	2	800
300.....	16	4,800	16	4,800	16	4,800	16	4,800
250.....	20	5,000	20	5,000	20	5,000	20	5,000
200.....	354	70,800	354	70,800	354	70,800	354	70,800
175.....	11	1,925	11	1,925	11	1,925	11	1,925
150.....	472	70,800	472	70,800	472	70,800	472	70,800
125.....	95	11,875	95	11,875	95	11,875	95	11,875
110.....	1	110	1	110	1	110	1	110
100.....	2,074	207,400	2,056	205,600	2,056	205,600	2,056	205,600
85.....	2,649	225,165	2,544	219,640	2,607	221,595	2,607	221,595
77½.....								
75.....								
70.....	2,701	189,070	2,407	168,490	2,605	182,350	2,605	182,350
65.....							1,804	108,240
60.....	13	780						
57.....	1	57						
55.....	610	33,550	907	49,885	1,804	99,220		
50.....	991	49,550	684	34,400				
45.....			193	8,685				
42½.....								
40.....	33	1,320	233	9,320				
37½.....								
35.....								
32½.....								
30.....			4	120				
27½.....								
25.....								
22½.....								
20.....								
17½.....								
Total.....	10,043	873,002	10,043	862,250	10,043	874,875	10,043	883,595
Average relation to first class, percent.		86.93		85.86		87.11		88.01

C. ANALYSIS OF EXCEPTIONS TO THE CLASSIFICATION

In order to determine the extent to which regular classification ratings have been modified by exceptions to the classification, a detailed analysis has been made of exceptions having general applicability in each of the rate territories, except in Mountain-Pacific Territory where the situation did not lend itself to this type of analysis. In carrying out this analysis the tariffs publishing classification exceptions of general applicability were examined and exception ratings matched against corresponding commodity descriptions in the classification proper. If a commodity description in the exceptions was broad enough to cover several items in the classification proper, the exceptions rating was considered as modifying as many classification items as the description in the exceptions covered. If the commodity description in the exceptions was narrower than that in the classification proper, the item in the classification proper was considered as two items, one modified by the exceptions, and one not changed. Instances of this sort explain why the total number of commodity descriptions shown in the tables does not correspond to the total number of ratings in the classification proper.

The classification exceptions ratings in effect on March 17, 1942, were used in the analysis.

In Official Territory the exceptions ratings applicable in Trunk-Line Territory were used. A check was made of exceptions ratings in New England and Central Freight Association Territories that apply on articles rated fourth and fifth class in Official Classification. Of a total of 1,167 ratings of fourth class, 870 were modified by exceptions in one or more of the subdivisions of Official Territory. The exceptions ratings were uniform in Trunk-Line and New England Territories. In Central Territory three took a rating which varied from the ratings applicable in Trunk-Line and New England Territories. Out of 2,543 ratings of fifth class, 516 were modified by exceptions in one or more of the subterritories. Of those 516, only four took a different rating in New England than in Trunk-Line Territory, and 45 took a different rating in Central Territory than in Trunk-Line Territory.

When the exceptions provided two or more less-carload ratings, one without any minimum, and the other or others varying with the size of the shipment, the exceptions rating was used which carried no minimum weight. If the exceptions rating provided for minimum quantities with each rating the exceptions rating was used which carried the lowest minimum weight.

When carload exceptions carried two or more ratings subject to varying minimum weights the rating was used which carried the minimum weight most nearly approximating the minimum weight in the classification. In the case of "all-freight" rates published as exceptions to Western Classification which apply in straight as well as mixed carloads, the lowest rating was used which applies on straight carloads.

In the analysis of classification exceptions it was necessary to convert the numerous suffixed classes in Official and Southern Classification exceptions to percentages of the present first-class rates. These suffixed classes occurred largely as the result of the increases in rates authorized in *Ex Parte 123*. A 10-percent increase was authorized generally in that proceeding. On some commodities, however, no increase was permitted, on others a 5-percent increase was authorized, and on others increases were subject to certain maxima. On these latter commodities, therefore, the increases upset the established relations of rates to the new first-class rates. The publishing agents created the suffixed classes to take care of these situations. Fruits, for instance, which carried exceptions ratings of 70 percent of first class in the South, were among the commodities on which a 5-percent increase in rates was authorized instead of a 10-percent increase. The carriers published this rating as 70V, which means that the rates were 70 percent of the first-class rates in effect on March 27, 1938, the day before the *Ex Parte 123* increases became effective, plus 5 percent. For the purpose of this analysis of exceptions ratings it was necessary to convert these ratings to a percent of the present first-class rates.

In Southwestern Territory some of the classification exceptions are rated in terms of a percent of the first-class rates which were originally prescribed in the *Consolidated Southwestern Cases*, and not of the present first-class rates which resulted from the Commission's decision in the twenty-first supplemental report. For the purpose of

our analysis it was necessary to convert these percentages into percentages of the present first-class rates.

The results of the analysis of the classification exceptions are shown for each territory in a series of tables. Each table shows the number of commodity descriptions not changed by exceptions, the number changed, and the extent of the reductions in ratings made by the exceptions.

The extent of the changes made by exceptions in Official Classification Territory as represented by Trunk-Line Territory are shown in tables 17, 18, and 19, showing carload, less-carload, and any-quantity exceptions separately. The same information concerning exceptions in Southern Territory is shown in tables 20, 21, and 22. For Western Trunk-Line Territory the changes made by the classification exceptions are shown in tables 23, 24, and 25, and for Southwestern Territory in tables 26, 27, and 28.

As noted above, the classification exceptions in Mountain-Pacific Territory have not been analyzed in the same manner as those applying in the other territories. The reason for this is that there are no exceptions published which have application throughout the territory. There are numerous agency and individual-line tariffs which contain exceptions to the Western Classification, but they cover limited areas in Mountain-Pacific Territory or individual rail lines. Furthermore, many of the exceptions published in these tariffs are very restricted in their application to the territory covered by the tariff in which they are found.

TABLE 17.—Official Classification carload ratings modified by generally applicable exceptions to the classification ¹

Official Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
D1.....	200	5	5				
1½.....	150	3	3				
1¼.....	125	19	19				
1.....	100	212	166	46	22	85½	2
						75	14
						72	2
						70	7
						40	20
						35	1
						81	9
						75	1
						72	13
						70	38
						65	122
2.....	85	765	561	204	27	60	1
						67½	1
						55	2
						48	1
						40	4
						35	11
						22½	1
75.....	75	2	1	1	50	65	1

¹ Ratings in Consolidated Classification No. 15, effective Mar. 17, 1942, as modified by exceptions of general applicability shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, as of Mar. 17, 1942.

TABLE 17.—Official Classification carload ratings modified by generally applicable exceptions to the classification¹—Continued

Official Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
3	70	1,422	1,145	277	19	67	12
						65	4
						60	41
						59	1
						55	13
						50	23
						48	3
						47½	2
						45	1
						42½	4
						40	153
						37½	5
						35	4
						34	1
						32½	5
30½	2						
30	1						
28	1						
22½	1						
45	5						
65	65	6	1	5	83		
60	60	3	3				
R.26	55	1,266	1,021	245	19	60	1
						52½	1
						50	92
						48	1
						47½	1
						45	3
						42½	13
						41	2
						40	103
						37½	4
						37	7
						36½	10
						35	1
						34	1
						30½	3
						30	1
						27½	1
						48	26
						47½	4
						45½	13
45	1						
44	1						
43	5						
42½	6						
40	176						
39½	4						
37½	21						
37	1						
36½	4						
36	2						
35	17						
32½	3						
30½	2						
30	1						
29½	1						
28	1						
27½	7						
25	1						
40	34						
37½	1						
30	2						
25	1						
22½	2						
62	1						
37½	1						
37	2						
35	1						
30	1						
27½	6						
25	1						
22½	1						
40	40	1,075	14	1	1		
45	45	323	283	40	12	37½	1
						30	2
						25	1
						22½	2
						62	1
						37½	1
						37	2
						35	1
						30	1
						27½	6
25	1						
22½	1						
40	40	1,089	1,075	14	1		
40	40	1,089	1,075	14	1	35	1
						30	1
						27½	6
						25	1
						22½	1

INTERTERRITORIAL FREIGHT RATES

TABLE 17.—Official Classification carload ratings modified by generally applicable exceptions to the classification¹—Continued

Official Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first-class)	Number
37½	37½	757	676	81	11	35	8
						34	45
						33½	1
						32½	3
						30½	13
						30	2
						27½	4
						25	3
						22½	2
						40	13
						37	4
						36½	2
						33½	64
						32½	17
35	35	2,843	2,044	499	19½	32	16
						31	4
						30½	62
						30	36
						29½	36
						29	4
						28	2
						27½	99
						26½	7
						26	1
						25½	2
						25	60
						24	4
						23½	5
32½	32½	7	5	2	29	23	29
						22½	33
						20½	3
						19	2
						17	3
						27½	1
30	30	84	67	17	20	22½	1
						26½	1
						25	2
						23	1
						22½	8
						26½	60
						25	73
						24	1
						23½	5
						23	27
27½	27½	669	361	318	48	22½	114
						22	1
						21½	6
						21	1
						20½	1
						20	19
25	25	31	27	4	13	19	3
						18	1
						17½	5
						13	1
22½	22½	18	14	4	22	22½	4
						20½	1
						18	1
20	20	1	1			17½	2
Total		10,392	8,338	2,054	20		

TABLE 18.—Official Classification less-carload ratings modified by generally applicable exceptions to the classification ¹

Official Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
4 t l.....	400	2	2				
3 t l.....	300	16	16				
2 ½.....	250	20	20				
D1.....	200	354	311	43	12	110 100 85 70 40	1 23 8 10 6
1 ¾.....	175	11	8	8	73	100 100	8 32
1 ½.....	150	472	415	57	12	70 55 40	13 6 6
1 ¼.....	125	95	54	41	43	100 85	36 5
110.....	110	1	1				
1.....	100	2,093	1,785	308	15	85 80 73½ 72 70 65 64 60 57 55 50 40 81 77½ 75 73½ 72 70 67 65 63 60 57 55 52 50 40 67 65 63 60 57½ 57 55 52 50 40 33½	65 1 5 10 137 4 1 11 3 11 2 8 1 4 3 2 20 331 2 17 3 21 15 43 2 2 14 3 1 1 56 3 16 118 1 8 20 2
2.....	85	2,650	2,170	480	18		
3.....	70	2,703	2,474	229	8½		
60.....	60	13	13				
57.....	57	1	1				
R26.....	55	610	586	24	4	50 45 40 48	1 2 21 4
4.....	50	993	791	202	20	40 35	197 1
40.....	40	33	33				
Total.....		10,067	8,675	1,392	14		

¹ Ratings in Consolidated Classification No. 15, effective Mar. 17, 1942, as modified by exceptions of general applicability shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, as of Mar. 17, 1942.

INTERTERRITORIAL FREIGHT RATES

TABLE 19.—Official Classification any-quantity ratings modified by generally applicable exceptions to the classification ¹

Official Classification rating	Percent of first class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
3 1/4	300	6	6				
3 1/4	250	1	1				
D1	300	4	4				
1 1/4	150	2	2				
1	100	34	27	7	21	95 1/2	1
						65	2
						60	4
						81	1
2	85	15	10	5	33	67	1
						60	2
						57	1
						65	1
3	70	15	8	10	67	60	6
						57	2
4	50	3		3	100	33 1/2	1
						48	2
Total		80	55	25	31		

¹Ratings in Consolidated Classification No. 18, effective Mar. 17, 1942, as modified by exceptions of general applicability shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, as of Mar. 17, 1942.

TABLE 20.—Southern Classification carload ratings modified by generally applicable exceptions to the classification ¹

Southern Classification rating	Percent of first class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
D1	200	3	3				
1 1/4	150	2	2				
1 1/4	125	18	18				
1	100	201	160	41	20	85	4
						70	14
						60	1
						45	19
						40	2
						35	1
						81	5
						70	35
						65	2
						60	2
						55	2
2	85	562	508	74	13	50	7
						46	1
						47	1
						45	4
						40	1
						35	11
						30	1
7 1/4	77 1/2	24	1	23	96	60	23
7 1/2	75	4	1	3	75	70	3

¹Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent E. H. Dulaney's Tariff, I. C. C. No. 86, as of Mar. 17, 1942.

TABLE 20.—Southern Classification carload ratings modified by generally applicable exceptions to the classification —Continued

Southern Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
3.....	70	1,511	1,050	461	31	67	1
						65	1
						62	1
						60	3
						57½	1
						57	3
						55	250
						52½	1
						50	39
						48	1
						45	131
						44	1
						41	9
						40	5
						37	4
65.....	65	11	1	5	100	35	4
						30	3
						27½	1
						25	2
						50	11
						48	5
						50	13
						48	1
						46½	2
						45½	31
4.....	55	2,109	1,707	402	19	45	209
						44	2
						43	1
						42	4
						41	47
						40½	2
						40	43
						39½	4
						39	1
						38	1
						37½	9
						37	7
						35	8
						30	10
						27½	3
50.....	50	111	47	64	58	25	4
						45	1
						41	48
						40	5
						38	2
						37½	6
						35	2
						41	3
						40½	1
						40	6
5.....	45	1,107	1,018	89	8	38	3
						37½	14
						37	3
						35	13
						32½	6
						31½	6
						30	15
						28½	3
						27	2
						25	9
22½	1						
21½	2						
17½	1						
13½	1						

TABLE 20.—Southern Classification carload ratings modified by generally applicable exceptions to the classification —Continued

Southern Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
6.....	40	2,057	2,666	391	13	39	6
						34	15
						37½	11
						37	153
						35	30
						33½	4
						32½	5
						31½	9
						31	1
						30	60
						29	2
						28½	4
						27½	17
						27	20
						26½	2
						26	1
						25	20
24	1						
23½	5						
23	3						
21½	7						
19	9						
18	1						
17½	3						
15	1						
13½	1						
37	2						
35	6						
87½.....	37½	150	123	27	18	34	15
7.....	35	341	256	85	25	32½	2
						29	1
						28	1
						30	36
						33½	5
						32½	1
						30	10
						29	1
						27½	4
						27	3
						26½	1
						24½	19
						18	1
17½	4						
31½	3						
32½.....	32½	142	115	27	19	30	19
8.....	30	626	432	194	31	21½	4
						17½	1
						26½	2
						24½	5
						27½	6
						27	3
						25	52
						24½	1
						24	5
						23	1
						22½	12
						21½	54
						21	1
						20½	3
20	19						
19	7						
18	1						
17½	6						
17	1						
16½	6						
16	2						
15	2						
13½	2						
13	1						
12	1						
20½	3						
27½.....	27½	42	23	19	45	25	11
						22½	1
						20	3
						19	1

TABLE 20.—Southern Classification carload ratings modified by generally applicable exceptions to the classification¹—Continued

Southern Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
9.....	25	46	34	12	26	24 23 22½ 20 19 17½ 17 20½ 20 18 17½ 17 16 16 17½ 16 15 12½ 16 15 12	1 2 2 3 2 1 1 1 6 20 15 1 3 3 1 2 1 4 2 2 1
10.....	22½	175	129	46	26		
11.....	20	39	31	8	21		
12.....	17½	85	80	5	6		
Total.....		10,392	8,405	1,987	19		

TABLE 21.—Southern Classification less-carload ratings modified by generally applicable exceptions to the classification¹

Southern Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
4 t l.....	400	2	2				
3 t l.....	300	16	16				
2½.....	250	20	20				
Dl.....	200	354	304	50	14	100 85 70 55 85	17 20 12 1 8
1¾.....	175	11	3	8	73	100 85	45 49
1½.....	150	472	356	116	25	70 55 100	21 1 6
1¼.....	125	95	40	55	58	85	49
110.....	110	1	1				
1.....	100	2,075	1,029	1,046	50	85 80 70 60 57 55 50 45 42 40 35 30	329 1 654 1 2 43 9 1 1 3 1 1

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent E. H. Dulancy's Tariff, I. C. O. No. 86, as of Mar. 17 1942.

INTERTERRITORIAL FREIGHT RATES

TABLE 21.—Southern Classification less-carload ratings modified by generally applicable exceptions to the classification—Continued

Southern Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
2.....	85	2,585	762	1,823	71	70	1,584
						67	1
						87	17
						85	168
						80	40
						45	1
						42	8
						40	2
						37	3
						35	4
						60	2
						87	14
						85	692
						82½	1
3.....	70	2,409	1,579	830	34	80	82
						45	11
						42	10
						40	10
						37	4
						35	2
						27½	1
						26	1
						80	103
						45	15
						42	13
4.....	85	907	749	158	17	40	23
						37	2
						35	1
						30	1
						45	4
						42	10
						40	78
50.....	80	688	588	100	18	35	1
						30	1
						26½	4
						26	1
						23	1
6.....	45	193	177	16	8	40	16
						35	9
6.....	40	235	185	50	21	26½	40
						26	1
8.....	30	4	3	1	25	27½	1
Total.....		10,067	5,814	4,253	42		

TABLE 22.—Southern Classification any-quantity ratings modified by generally applicable exceptions to the classification¹

Southern Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
3 & 1.....	300	6	6				
2½.....	250	1	1				
D1.....	200	4	4				
1½.....	150	2	2				
1.....	100	31	13	18	58	70	13
						55	1
						50	2
						45	2

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent E. H. Dulaney's Tariff, I. O. C. No. 86, as of Mar. 17, 1942.

TABLE 22.—Southern Classification any-quantity ratings modified by generally applicable exceptions to the classification¹—Continued

Southern Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
2.....	85	13	10	3	23	70	1
						50	1
3.....	70	6	2	4	67	45	1
						50	4
4.....	55	12	4	8	67	50	6
						45	2
50.....	50	4	3	1	33	38	1
6.....	40	1	1				
Total.....		80	46	34	43		

TABLE 23.—Western Trunk-Line Territory carload ratings modified by generally applicable exceptions to the classification¹

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
D1.....	200	3	1	2	67	75	2
1½.....	150	2		2	100	75	2
1¼.....	125	18	17	1	6	75	1
						75	165
1.....	100	203	8	195	96	60	8
						46	19
						35	3
						75	503
						70	15
						63	1
						60	30
2.....	85	596	18	578	97	55	1
						47	1
						46	5
						45	2
						42	7
						35	13
77½.....	77½	24		24	100	75	1
75.....	75	2	2			60	23
						67	1
						65	3
						62	1
						60	1,222
						57½	1
						55	13
						50	41
						47½	2
						47	1
						46	123
						45	5
8.....	70	1,555	71	1,484	95	42½	1
						42	1
						41	8
						40	15
						38½	1
						37	1
						36	4
						35	12
						32½	21
						30	3
						27½	2
						25	1
65.....	65	11		11	100	17½	1
60.....	60	1	1			50	11

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 23.—Western Trunk-Line Territory carload ratings modified by generally applicable exceptions to the classification—Continued

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
C.....	55	2,265	1,827	438	19	50	6
						49	2
						47½	1
						47	10
						46½	1
						46	197
						45	86
						44	1
						42½	2
						42	8
						41	75
						40	15
						37½	4
						37	22
						36	2
50.....	50	76	22	54	71	35	9
						32½	17
						30	16
						27½	1
						25	6
						23	2
						22½	2
						20	3
						41	50
						36½	4
						42½	80
						42	1
						41	3
						40	194
						38½	1
45.....	45	1,814	1,435	379	21	38	1
						36½	17
						35	65
						32½	7
						30	1
						27½	2
						25	2
						24½	3
						20	1
						17½	1
						36½	2
						33½	2
						30	1
						37	6
						50.....	50
36	23						
35	53						
33½	9						
32½	178						
31	4						
30	73						
29½	8						
28½	1						
28	81						
27½	22						
26½	3						
25	27						
24½	20						
24	5						
5.....	37½	2,814	2,293	521	19	23	2
						22½	10
						21½	4
						20½	1
						20	16
						19	3
						17½	1
						12	1
						28½	2
						26½	4

Footnote at end of table.

TABLE 23.—*Western Trunk-Line Territory carload ratings modified by generally applicable exceptions to the classification*¹—Continued

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
32½	32½	295	264	31	11	30	16
						26½	2
						23½	1
						23	2
						22½	6
						21½	2
						20	1
						15½	1
						27½	1
						26½	1
30	30	375	304	71	19	25	10
						23½	1
						23	2
						22½	8
						21½	7
						20	13
						17½	20
						16	1
						15	2
						21½	3
22½	22½	170	135	35	21	20	18
						18	9
						17½	4
						15	1
						18	1
						16	1
17½	17½	123	117	6	5	16	1
						15	2
						16	1
						12	2
Total		10,392	6,549	3,843	37		

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions as published in Agent L. E. Kipp's Tariff, I. C. C. No. A-3333.

TABLE 24.—*Western Trunk-Line Territory less-carload ratings modified by generally applicable exceptions to the classification*¹

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
4 t 1	400	2	2				
3 t 1	300	16	16				
2½	250	20	20				
D1	200	354	310	44	12	110	7
						100	21
						85	1
						70	10
						55	1
						50	4
1¾	175	11	3	8	73	100	8
						110	4
						100	26
						85	2
1½	150	472	408	64	14	70	23
						55	3
						50	6
						100	38
						85	3
1¼	125	95	53	42	44	55	1
110	110	1	1				

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 24.—Western Trunk-Line Territory less-carload ratings modified by generally applicable exceptions to the classifications¹—Continued

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
100.....	100	2,075	1,718	357	17	85	57
						72	3
						70	205
						68	2
						63	2
						60	1
						57	2
						55	15
						50	8
						72	3
85.....	85	2,608	2,031	577	22	70	480
						63	4
						60	3
						57	16
						55	58
						50	10
						42	1
						35	3
						63	4
						60	12
70.....	70	2,607	2,383	224	9	57	6
						55	171
						50	26
						42	1
						40	1
						35	2
						50	106
						46	3
						40	3
						35	12
Total.....		10,067	8,628	1,439	14		

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent L. E. Kipp's Tariff, I. C. C. No. A-3333.

TABLE 25.—Western Trunk-Line Territory any-quantity ratings modified by generally applicable exceptions to the classification¹

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
3 & 1.....	300	6	6				
2 1/4.....	250	1	1				
D1.....	200	4	4				
1 1/2.....	150	2	2				
1.....	100	33	25	8	24	70	1
						68 1/2	1
						63	4
						57	1
						50	1
2.....	85	16	13	3	19	63	2
						57	1
3.....	70	15	4	11	73	63	9
						57	2
4.....	55	3	3				
Total.....		80	58	22	28		

¹ Based on Consolidated Classification No. 15 of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent L. E. Kipp's Tariff, I. C. C. No. A-3333.

TABLE 26.—Southwestern Territory carload ratings modified by generally applicable exceptions to the classification ¹

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
D1.....	200	3	1	2	67	75	2
1¼.....	150	2		2	100	75	2
1¼.....	125	18	1	17	94	75	17
						75	165
						60	7
1.....	100	203	8	195	96	57½	19
						46	3
						37	1
						75	501
						72	1
						70	15
						65	2
						63	1
						62	1
2.....	85	596	25	571	96	60	30
						55	1
						47	1
						46	1
						42	3
						37	11
						35	2
						31	1
						75	1
7¼.....	77½	24		24	100	60	1
						57½	22
75.....	75	2	2				
						65	3
						60	1,052
						57½	116
						55	15
						50	7
						48	36
						47½	1
						47	1
						46	199
						45½	1
						45	9
						43	2
3.....	70	1,555	50	1,505	97	42½	1
						42	3
						41	1
						40	27
						39½	6
						38½	1
						37	3
						36	3
						35	12
						33½	1
						32½	1
						30	2
						28	3
						17	1
65.....	65	11		11	100	48	11
60.....	60	1		1	100	46	1

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 26.—Southwestern Territory carload ratings modified by generally applicable exceptions to the classification—Continued

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
						53	8
						50	12
						48	10
						47½	1
						47	6
						46	1,850
						45½	3
						45	22
						44½	1
						44	2
						43	21
						42½	3
						42	10
						41	11
						40	17
.....	55	2,268	109	2,156	93	39½	66
						37½	12
						37	27
						36½	1
						36	8
						35	8
						33½	6
						33	1
						32½	14
						31½	1
						31	1
						30	16
						29	4
						28	1
						27½	3
						23	2
						22½	2
						20	3
						46	1
80.....	50	76	21	55	73	41	5
						39½	45
						35	4
						42½	30
						42	1
						41	1
						40	200
						39½	3
						38½	1
						38	2
						37½	1
						37	3
45.....	45	1,814	1,420	394	22	36½	8
						35	79
						32½	1
						30	1
						27½	4
						25	1
						24	1
						23½	3
						20	1
						17	1
42½.....	42½	1		1	100	15½	2
						39	1
40.....	40	26	31	5	14	36½	2
						35	2
						30	1

Footnote at end of table.

TABLE 26.—Southwestern Territory carload ratings modified by generally applicable exceptions to the classification¹—Continued

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (Percent of first class)	Number
						37	11
						36½	12
						35	78
						34½	1
						33½	39
						32½	124
						31	34
						30	88
						29½	12
						29	19
						28½	2
						28	31
						27½	29
						26½	4
						26	4
5.....	37½	2,814	2,186	628	22	25	44
						24½	3
						24	6
						23½	18
						23	3
						22½	10
						21½	6
						21	1
						20½	30
						20	4
						19	4
						17½	2
						17	7
						16	4
						13½	1
						12	1
35.....	35	8	3	5	63	32	5
						30	12
						29	1
						28½	1
						26½	2
						23½	3
						22½	2
32½.....	32½	295	249	46	16	21½	5
						20	3
						17½	1
						17	9
						16½	1
						15½	1
						13	4
						12	1
						27½	4
						25	10
						24	1
						23½	1
						22½	11
						20	26
						19	3
						18	3
30.....	30	375	270	105	28	17½	13
						17	20
						16	3
						15½	2
						15	3
						14½	2
						13	2
						12	1
						20	17
						18½	1
						18	11
22½.....	22½	170	123	47	28	17½	11
						16	1
						15	3
						14½	1
						12	2
						17	2
						16	7
						15½	18
17½.....	17½	123	89	34	28	14½	1
						14	1
						12	3
						11	1
						9	1
Total.....		10,392	4,588	5,804	56		

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions as published in Agent J. R. Peel's Tariff, I. C. C. No. 3475.

INTERTERRITORIAL FREIGHT RATES

TABLE 27.—Southwestern Territory less-carload ratings modified by generally applicable exceptions to the classification ¹

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
411.....	400	2	2				
311.....	300	16	14	2	13	70	2
214.....	250	20	17	3	18	70	3
						110	7
						100	3
D1.....	200	354	307	47	13	85	15
						70	20
						55	2
1.34.....	175	11	9	2	73	100	8
						110	4
						100	25
114.....	150	472	407	65	14	85	1
						70	31
						55	4
114.....	125	95	54	41	43	100	37
						85	3
						55	1
110.....	110	1	1				
						85	59
						72	1
						70	263
1.....	100	2,675	1,731	844	17	63	1
						57	3
						55	15
						50	2
						75	1
						72	1
						70	490
						63	1
2.....	85	2,608	2,018	590	23	57	19
						55	60
						50	15
						42	1
						35	2
						63	1
						60	3
						57	8
3.....	70	2,607	2,375	231	9	55	175
						50	39
						42	1
						35	4
						50	119
4.....	55	1,806	1,617	189	8	45	2
						40	9
						35	13
Total.....		10,057	8,597	1,470	15		

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent J. R. Peel's Tariff, I. C. C. No. 2475, as of Mar. 17, 1942.

TABLE 28.—Southwestern Territory any-quantity ratings modified by generally applicable exceptions to the classification ¹

Western Classification rating	Percent of first-class rate	Number of ratings	Number not changed by exceptions	Number changed by exceptions	Percent changed by exceptions	Distribution of ratings changed by exceptions	
						Rating (percent of first class)	Number
3 + 1.....	300	6	6				
2 1/2.....	250	1	1				
D1.....	200	4	4				
1 1/2.....	150	2	2				
1.....	100	33	22	11	33	85 70 68 1/2 63 50 70 50 45 40 50 57	1 3 1 1 5 1 2 2 1 6 2
2.....	85	17	11	6	85		
3.....	70	15	7	8	53		
4.....	55	2	2				
Total.....		80	55	25	31		

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent J. R. Peel's Tariff, I. O. C. No. 3475.

The analysis of the generally applicable exceptions in Official, Southern, Western Trunk-Line, and Southwestern Territories brings out a number of points concerning the extent to which exceptions to the classification have modified regular classification ratings in the different territories. This information is summarized in tables 29 and 30.

TABLE 29.—Percent of commodity descriptions in classification modified by exceptions of general applicability, Official, Southern, Western Trunk-Line, and Southwestern Territories

Territory	Percent of commodity descriptions in the classification which have been modified by exceptions			
	Carload	Less-carload	Any-quantity	Total
Official.....	20	14	81	17
Southern.....	19	42	43	31
Western Trunk-Line.....	37	14	28	26
Southwestern.....	56	15	31	36

Table 29 shows that in Southwestern Territory 36 percent of the commodity descriptions in the classification are modified by exceptions. In Southern Territory 31 percent are modified by exceptions; in Western Trunk-Line Territory, 26 percent; and in Official Territory only 17 percent. In Southern Territory the tendency to modify classification ratings by the publication of exceptions is most pronounced in connection with less-carload traffic as is shown by the fact that 42 percent of the commodity descriptions in the classification have less-carload exceptions ratings, but only 19 percent have carload ex-

ceptions ratings. Many of the less-carload exceptions ratings in the South are the result of extensive reductions in ratings made in this manner in 1940, partly for the purpose of meeting motortruck competition.

Table 30 shows the extent of the rate reductions made in each territory by classification exceptions having general applicability. The extent of the reductions was determined by first computing the average relation of the exceptions ratings to first class, and then computing the average relation to first class of the classification ratings which would have applied if there had been no exceptions ratings on these items. The difference between the two relationships to first class measures the average reduction made by the classification exceptions, in percent to first class. This figure was then expressed as a percent of the average relation of first class which would have prevailed if the regular classification ratings, instead of the exceptions ratings, had applied.

TABLE 30.—Extent of rate reductions made by classification exceptions, by rate territories

Territory	Number of exceptions ratings	Average relation to first class (percent)	Average relation to first class if classification ratings had applied (percent)	Percent reduction in rates made by exceptions ratings
Official.....	3,471	48.62	61.28	20.7
Southern.....	6,274	57.24	76.84	24.8
Western Trunk-Line.....	5,304	55.76	71.23	21.7
Southwestern.....	7,299	52.27	60.55	21.8

Although the number of classification ratings modified by exceptions ranges from only 17 percent of the commodity descriptions in the classification in Official Territory to 36 percent in Southwestern Territory, the exceptions ratings move a considerably larger proportion of the traffic than do the regular classification ratings. A study made by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission of the carload traffic originated on September 23, 1942, discloses that 10.7 percent of the carloads moved on exceptions ratings while only 4.1 percent moved on regular classification ratings.¹

The percent of the intraterritorial traffic in each territory moving on regular classification ratings, exceptions ratings, and on commodity rates, is shown in table 31.

TABLE 31.—Estimated proportion of intraterritorial carload traffic in each territory, originating on September 23, 1942, which moved on regular classification ratings, exceptions ratings, and on commodity rates¹

Territory	Classification ratings (percent)	Exceptions ratings (percent)	Commodity rates (percent)
Official.....	5.8	17.6	76.7
Southern.....	1.8	6.0	92.2
Western Trunk-Line.....	0.6	0.2	99.2
Southwestern.....	2.4	4.4	93.2
Mountain-Pacific.....	1.7	(?)	98.3

¹ From exhibit No. 228, I. C. C. Docket No. 28300.

² Exhibit No. 228, I. C. C. Docket No. 28300, table 2.

³ Less than 0.05 percent.

D. APPLICABLE RATINGS, CLASSIFICATION OR EXCEPTIONS, AND AVERAGE RELATION TO FIRST CLASS

The preceding paragraphs have shown the extent to which classification ratings have been modified by generally applicable exceptions. It is now possible to compute the average relation of the going or applicable ratings (classification rating or exceptions rating) to the first-class rates in each territory. The method used is that previously used in determining the average relation of the ratings in the classification proper to first class. This calculation makes it possible to determine to what extent classification exceptions have brought down the level of class rates as measured by the average relation to first class.

The computations of these average relations of applicable ratings to first-class rates are shown in tables 32 to 35.

TABLE 32.—Official Classification ratings as modified by exceptions of general applicability, the number of commodity descriptions taking each rating, and computation of average relation to first class ¹

Ratings (percent of first class)	Carloads		Less carloads		Any quantity		Total number taking this rating	Column 1 X column 8
	Number of items taking this rating	Column 1 X column 2	Number of items taking this rating	Column 1 X column 4	Number of items taking this rating	Column 1 X column 6		
1	2	3	4	5	6	7	8	9
400			2	800			2	800
300			16	4,800	6	1,800	22	6,600
250			20	5,000	1	250	21	5,250
200	5	1,000	311	62,200	4	800	320	64,000
175			3	525			3	525
150	3	450	415	62,250	2	300	420	63,000
125	19	2,375	54	6,750			73	9,125
110			2	220			2	220
100	166	16,600	1,884	188,400	27	2,700	2,077	207,700
95½	2	191			1	96	3	287
85	561	47,685	2,243	190,655	10	850	2,814	239,190
81	9	729	1	81	1	81	11	891
80			1	80			1	80
77½			4	310			4	310
75	16	1,200	3	225			19	1,425
73½			7	515			7	515
72	15	1,080	30	2,160			45	3,240
70	1,190	83,300	3,015	211,050	5	350	4,210	294,700
67	12	804	5	335	1	67	18	1,206
65	128	8,320	22	1,430	3	195	153	9,945
64			1	64			1	64
63			4	252			4	252
60	46	2,760	101	6,060	12	720	159	9,540
59	1	59					1	59
57½	1	58	3	173			4	231
57			35	1,995	3	171	38	2,166
55	1,036	56,980	764	42,020			1,800	99,000
52½	1	53					1	53
52	1	52	3	156			4	208
50	988	49,250	804	40,200			1,789	89,450
48	36	1,728	4	192	3	144	43	2,064
47½	7	333					7	333
45½	13	592					13	592
45	288	12,960	2	90			290	13,050
44	1	44					1	44
43	5	215					5	215
42½	23	978					23	978
41	2	82					2	82
40	1,578	62,120	305	12,200			1,883	74,320
39½	4	58					4	58
37½	708	26,550					708	26,550
37	14	518					14	518
36½	16	584					16	584

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 32.—Official Classification ratings as modified by exceptions of general applicability, the number of commodity descriptions taking each rating, and computation of average relation to first class¹—Continued

Ratings (percent of first class)	Carloads		Less carloads		Any quantity		Total number taking this rating	Column 1 X column 8
	Number of items taking this rating	Column 1 X column 2	Number of items taking this rating	Column 1 X column 4	Number of items taking this rating	Column 1 X column 6		
1	2	3	4	5	6	7	8	9
36.....	2	72					2	72
35.....	2,087	73,045	1	85			2,088	73,040
34.....	47	1,898					47	1,898
33½.....	58	1,843	2	67	1	34	58	1,944
32½.....	33	1,073					33	1,073
32.....	16	512					16	512
31.....	4	124					4	124
30½.....	82	2,501					82	2,501
30.....	111	2,830					111	2,830
29½.....	37	1,092					37	1,092
29.....	4	116					4	116
28.....	4	112					4	112
27½.....	473	13,008					473	13,008
26½.....	68	1,802					68	1,802
26.....	1	26					1	26
25½.....	3	77					3	77
25.....	169	4,225					169	4,225
24.....	8	120					8	120
23½.....	10	235					10	235
23.....	57	1,311					57	1,311
22½.....	181	4,073					181	4,073
22.....	1	22					1	22
21½.....	6	129					6	129
21.....	1	21					1	21
20½.....	8	103					8	103
20.....	20	400					20	400
19.....	8	95					8	95
18.....	2	36					2	36
17½.....	7	123					7	123
17.....	3	51					3	51
13.....	1	13					1	13
Total.....	10,392	490,996	10,067	841,290	80	8,558	20,539	1,340,844
Average percent of first class.....		47.25		83.57		106.98		65.28

¹ Based on Consolidated Freight Classification No. 15 as of Mar. 17, 1942, as modified by generally applicable exceptions in effect on that date, as published in Agent W. S. Curlett's Tariff I. C. C. No. A-714 as of Mar. 17, 1942.

TABLE 33.—Southern Classification ratings as modified by exceptions of general applicability, the number of commodity descriptions taking each rating, and computation of average relation to first class¹

Ratings (percent of first class)	Carloads		Less carloads		Any quantity		Total number taking this rating	Column 1 X column 8
	Number of items taking this rating	Column 1 X column 2	Number of items taking this rating	Column 1 X column 4	Number of items taking this rating	Column 1 X column 6		
1	2	3	4	5	6	7	8	9
400.....			2	800			2	800
300.....			16	4,800	6	1,800	22	6,600
250.....			20	5,000	1	250	21	5,250
200.....	3	600	304	60,800	4	800	311	62,200
175.....			3	525			3	525
150.....	2	300	355	53,400	2	300	360	54,000
125.....	18	2,250	40	8,000			58	7,250
110.....			1	110			1	110

¹ Based on Consolidated Freight Classification No. 15 as of Mar. 17, 1942, as modified by generally applicable exceptions in effect on that date as published in Agent E. H. Dulaney's Tariff I. C. C. No. 80.

TABLE 33.—Southern Classification ratings as modified by exceptions of general applicability, the number of commodity descriptions taking each rating, and computation of average relation to first class—Continued

Ratings (percent of first class)	Carloads		Less carloads		Any quantity		Total number taking this rating	Column 1 X column 8
	Number of items taking this rating	Column 1 X column 2	Number of items taking this rating	Column 1 X column 4	Number of items taking this rating	Column 1 X column 6		
1	2	3	4	5	6	7	8	9
100.....	160	16,000	1,097	109,700	13	1,300	1,270	127,000
85.....	512	43,520	1,217	103,445	10	850	1,739	147,815
81.....	5	405					5	405
80.....			1	80			1	80
77½.....	1	78					1	78
75.....	1	75					1	75
70.....	1,102	77,140	3,850	269,500	16	1,120	4,968	347,760
67.....	1	67	1	67			2	134
65.....	4	260					4	260
62.....	1	62					1	62
60.....	31	1,860	3	180			34	2,040
57½.....	1	58					1	58
57.....	3	171	33	1,881			36	2,052
55.....	1,959	107,745	1,652	90,860	5	275	3,616	198,880
52½.....	1	53	1	53			2	106
50.....	117	5,850	822	41,100	16	800	955	47,750
48.....	8	384					8	384
47.....	1	47					1	47
46½.....	2	93					2	93
45½.....	31	1,411					31	1,411
45.....	1,382	62,190	209	9,405	5	225	1,596	71,820
44.....	3	132					3	132
43.....	1	43					1	43
42.....	4	168	39	1,638			43	1,806
41.....	107	4,387					107	4,387
40½.....	3	122					3	122
40.....	2,728	109,120	317	12,680	1	40	3,046	121,840
39½.....	4	158					4	158
39.....	43	1,677					43	1,677
38.....	21	798			1	38	22	836
37½.....	163	6,113					163	6,113
37.....	169	6,253	9	333			178	6,586
35.....	331	11,585	18	630			349	12,215
34.....	15	510					15	510
33½.....	9	302					9	302
32½.....	129	4,193					129	4,193
31½.....	18	567					18	567
31.....	1	31					1	31
30.....	550	16,500	6	180			556	16,680
29½.....	2	59					2	59
29.....	4	116					4	116
28½.....	12	342					12	342
27½.....	54	1,485	2	55			56	1,540
27.....	28	756					28	756
26½.....	6	159	44	1,166			50	1,325
26.....	1	26	3	78			4	104
25.....	133	3,325					133	3,325
24½.....	20	490					20	490
24.....	7	168					7	168
23.....	3	69	1	23			4	92
22½.....	150	3,375					150	3,375
22.....	3	66					3	66
21½.....	67	1,441					67	1,441
21.....	1	21					1	21
20½.....	4	82					4	82
20.....	62	1,240					62	1,240
19.....	19	361					19	361
18.....	23	414					23	414
17½.....	112	1,960					112	1,960
17.....	3	51					3	51
16½.....	6	99					6	99
16.....	10	160					10	160
15.....	6	90					6	90
13½.....	4	54					4	54
13.....	1	13					1	13
12½.....	4	50					4	50
12.....	2	24					2	24
Total.....	10,392	499,774	10,067	773,139	80	7,798	20,539	1,281,061
Average percent of first class.....	48.09		76.83		97.47		62.37	

INTERTERRITORIAL FREIGHT RATES

TABLE 34.—Western Classification ratings as modified by exceptions of general applicability in Western Trunk-Line Territory, the number of commodity descriptions taking each rating, and computation of average relation to first class¹

Ratings (percent of first class)	Carloads		Less-carloads		Any-quantity		Total number taking this rating	Column 1 X column 8
	Number of items taking this rating	Column 1 X column 2	Number of items taking this rating	Column 1 X column 4	Number of items taking this rating	Column 1 X column 6		
1	2	3	4	5	6	7	8	9
400			2	800			2	800
300			16	4,800			22	6,600
250			20	5,000		1,800	21	5,250
200	1	200	310	62,000	4	800	315	63,000
175			3	825			3	825
150			408	61,200		300	410	61,500
125	17	2,125	53	6,625			70	8,750
110			12	1,320			12	1,320
100	8	800	1,811	181,100	25	2,500	1,844	184,400
85	18	1,530	2,094	177,990	13	1,105	2,125	180,625
75	676	50,700					676	50,700
72			6	432			6	432
70	86	6,020	3,161	221,370	5	350	3,252	227,640
68 1/2					1	69	1	69
68			2	136			2	136
67	1	67					1	67
65	3	195					3	195
63	1	63	11	693	15	945	27	1,701
62	1	62					1	62
60	1,284	77,040	16	960			1,300	78,000
57 1/2	1	58					1	58
57			25	1,425	4	228	29	1,653
55	1,841	101,255	1,932	106,260	3	165	2,776	207,680
50	80	4,000	160	8,000	1	50	241	12,050
48	2	96					2	96
47 1/2	3	143					3	143
47	12	564					12	564
46 1/2	1	47					1	47
46	344	15,824					344	15,824
45	1,478	66,810	2	90			1,480	66,900
44	1	44					1	44
42 1/2	84	3,570					84	3,570
42	17	714	2	84			19	768
41	136	5,576					136	5,576
40	255	10,200	4	160			259	10,360
38 1/2	2	77					2	77
38	1	38					1	38
37 1/2	2,217	86,139					2,297	86,138
37	19	1,073					29	1,073
36 1/2	44	1,606					44	1,606
36	29	1,044					29	1,044
35	127	4,495	17	595			174	6,090
33 1/2	11	369					11	369
32 1/2	487	15,828					487	15,828
31	4	124					4	124
31	414	12,420					414	12,420
29 1/2	8	236					8	236
29 1/2	3	86					3	86
29	31	868					31	868
27 1/2	28	770					28	770
26 1/2	10	265					10	265
25	45	1,125					45	1,125
24 1/2	23	564					23	564
24	8	120					8	120
23 1/2	2	47					2	47
23	9	207					9	207
22 1/2	161	3,623					161	3,623
21 1/2	16	344					16	344
20 1/2	1	21					1	21
20	56	1,120					56	1,120
19	3	57					3	57
18	10	180					10	180
17 1/2	144	2,520					144	2,520
16	2	32					2	32
15 1/2	1	16					1	16
15	5	75					5	75
2	3	26					3	26
Total	10,392	483,927	10,067	941,465	80	8,562	20,539	1,333,954
average percent of first class	46.57		83.59		107.03		64.95	

¹Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by generally applicable exceptions in effect on that date as published in Agent L. E. Kipp's Tariff L. C. C. No. A-3333.

TABLE 35.—Western Classification ratings as modified by exceptions of general applicability in Southwestern Territory, the number of commodity descriptions taking each rating, and computation of average relation to first class¹

Ratings (percent of first class)	Carloads		Less-carloads		Any-quantity		Total number taking this rating	Column 1 X column 8
	Number of items taking this rating	Column 1 X column 2	Number of items taking this rating	Column 1 X column 4	Number of items taking this rating	Column 1 X column 6		
1	2	3	4	5	6	7	8	9
400			2	800			2	800
300			14	4,200			15	6,000
250			17	4,250	6	1,800	17	4,500
200	1	200	307	61,400	4	800	308	62,400
175			3	525			3	525
150			407	61,050	2	800	407	61,350
125	1	125	54	6,750			55	6,875
110			12	1,320			12	1,320
100	8	800	1,804	180,400	22	2,200	1,813	183,400
85	25	2,125	2,096	178,160	12	1,020	2,122	181,305
75	690	17,250	1	75			691	17,325
72	1	72	2	144			3	216
70	65	4,550	3,185	222,950	11	770	3,305	223,270
68½					1	69	1	69
65	5	325					5	325
63	1	63	3	189	1	63	5	315
62	1	62					1	62
60	1,090	65,400	3	180			1,093	65,580
57½	157	9,028					157	9,028
57			30	1,710	2	114	32	1,824
55	125	6,875	1,924	105,820	2	110	2,051	112,805
53	5	265					5	265
50	40	2,000	175	8,750	13	650	228	11,400
48	57	2,736					57	2,736
47½	2	95					2	95
47	8	376					8	376
46	2,064	94,944					2,064	94,944
45½	3	137					3	137
45	1,451	65,295	2	90	2	90	1,455	65,475
44½	1	45					1	45
44	2	88					2	88
43	23	989					23	989
42½	84	3,570					84	3,570
42	17	714	2	84			19	798
41	18	738					18	738
40	275	11,000	3	120	1	40	279	11,160
39½	120	4,740					120	4,740
39	1	39					1	39
38½	2	77					2	77
38	2	76					2	76
37½	2,199	82,463					2,199	82,463
37	56	2,072					56	2,072
36½	23	840					23	840
36	2	72					2	72
35	183	6,580	21	735			209	7,315
34½	1	35					1	35
33½	46	1,541					46	1,541
33	1	33					1	33
32½	390	12,675					390	12,675
32	5	160					5	160
31½	1	32					1	32
31	36	1,116					36	1,116
30	391	11,730					391	11,730
29½	12	354					12	354
29	24	696					24	696
28½	3	86					3	86
28	33	924					33	924
27½	40	1,100					40	1,100
26½	6	159					6	159
26	4	104					4	104
25	55	1,375					55	1,375
24½	3	74					3	74
24	8	192					8	192
23½	25	588					25	588
23	5	115					5	115
22½	148	3,330					148	3,330
21½	11	237					11	237
20½	1	21					1	21

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 35.—Western Classification ratings as modified by exceptions of general applicability in Southwestern Territory, the number of commodity descriptions taking each rating, and computation of average relation to first class¹—Continued

Ratings (percent of first class)	Carloads		Less-carloads		Any-quantity		Total number taking this rating	Column 1 X column 8
	Number of items taking this rating	Column 1 X column 2	Number of items taking this rating	Column 1 X column 4	Number of items taking this rating	Column 1 X column 6		
1	2	3	4	5	6	7	8	9
20.....	85	1,700	.....	.....	.....	.....	85	1,700
19.....	7	133	.....	.....	.....	.....	7	133
18½.....	1	19	.....	.....	.....	.....	1	19
18.....	14	252	.....	.....	.....	.....	14	252
17½.....	116	2,030	.....	.....	.....	.....	116	2,030
17.....	40	680	.....	.....	.....	.....	40	680
16½.....	1	17	.....	.....	.....	.....	1	17
16.....	15	240	.....	.....	.....	.....	15	240
15½.....	23	357	.....	.....	.....	.....	23	357
15.....	6	90	.....	.....	.....	.....	6	90
14½.....	4	54	.....	.....	.....	.....	4	54
14.....	1	14	.....	.....	.....	.....	1	14
13½.....	1	14	.....	.....	.....	.....	1	14
13.....	6	78	.....	.....	.....	.....	6	78
12.....	8	96	.....	.....	.....	.....	8	96
11.....	1	11	.....	.....	.....	.....	1	11
9.....	1	9	.....	.....	.....	.....	1	9
Total.....	10,392	429,301	10,067	839,702	80	8,276	20,539	1,277,279
Average percent of first class.....	41.31		83.41		103.45		62.10	

¹ Based on Consolidated Classification No. 15 as of March 17, 1942, as modified by exceptions of general application in effect on that date, as shown in Agent J. R. Peel's Tariff I. C. O. No. 3475.

Table 36 compares the average relation to first class of the applicable ratings, i. e., the classification ratings as modified by exceptions, with the average relation to first class of the ratings in the classification proper, which was previously computed. It will be seen that the greatest reduction in average relation to first class is in Southwestern Territory, and that the second greatest reduction is in Southern Territory. The least reduction is made in Official Territory.

TABLE 36.—Average relation to first class, classification ratings compared with applicable ratings (classification or exceptions)

	Percent of first class	
	Classification ratings	Applicable ratings
Official.....	68.26	65.28
Southern.....	68.14	62.37
Western Trunk-Line.....	69.02	64.95
Southwestern.....	69.02	62.19

If the average relation of the applicable ratings in each territory is multiplied by the percentage relation of the first-class rates in that territory to Official Territory first-class rates, the resulting figure will be the average relation of the applicable ratings in each territory to the Official Territory first-class rates. This process is shown in table 37.

TABLE 37.—Average relation of applicable ratings to first class in each territory converted to average relation to Official Territory first-class rates

Territory (1)	Average relation of applicable ratings to territorial first-class rates (percent) (2)	Average relation of first-class rate in each territory to Official Territory first-class rates (percent) (3)	Average relation of applicable ratings to Official Territory first-class rates (percent) (Column 2 × Column 3)
Official.....	65.28	100	65.28
Southern.....	62.87	139	86.69
Western Trunk-Line:			
Zone I.....	64.95	128	83.14
Zone II.....		146	94.83
Zone III.....		161	104.87
Zone IV.....		184	119.51
Southwestern.....	62.19	161	100.13

If the figures from table 37, showing the average relation of applicable ratings to the Official Territory first-class rates, are converted to relative numbers with the Official Territory relation as 100, the result measures the relative level of class rates in each territory, after differences in classification and exceptions ratings are taken into consideration. This series of relatives is as follows:

Official.....	100
Southern.....	133
Western Trunk-Line:	
Zone I.....	127
Zone II.....	145
Zone III.....	160
Zone IV.....	183
Southwestern.....	153

The nature and limitations of these averages should be made clear. As previously stated, they represent the average level of class rates in the different rate territories when differences in ratings, whether classifications or exceptions, are taken into consideration. Although the averages take into consideration rate reductions brought about by exceptions ratings of general applicability, they do not take into consideration commodity rates. To some extent commodity rates apply in Southern and Western Territories on traffic which moves on classification or exceptions ratings in Official Territory. Comparative rate levels on a limited number of commodities which move on commodity rates in all territories, or on class rates in some territories and commodity rates in others, are shown elsewhere in this report. The averages used in this chapter, however, are averages of class rates.

The averages shown in this chapter, furthermore, do not take into consideration the volume of traffic moving under the various rates. In fact, the averages probably include ratings on many articles that do not move at all in certain rate territories. For some purposes such an unweighted average is superior, and for other purposes, it is inferior, to an average that is weighted by the volume of traffic moving under the various rates and ratings. If one is interested in the average of rates on traffic that actually moves, the unweighted average is of no value. If one is interested in the average of the published rates the unweighted average is superior to one that is weighted by the volume of traffic moved at different rates and ratings.

For the purposes of this chapter the unweighted average, or the average of rates as published, is more useful than a weighted average. It will be recalled that one of the criticisms of the present regionalization of rates is that the higher class rates in certain areas tend to discourage industrial development. It is further charged that such manufacturing as is carried on in the South and West is confined to the earlier stages of processing, and that the products shipped are either semimanufactured articles, or manufactured articles of low grade. If rate comparisons are to throw any light on whether rate differences may possibly have this effect, the comparisons, if of individual rates, must be of rates on the same articles, whether the article moves at all in one territory or not. If average rates are compared they must be averages of rates on the same articles and not averages of rates on different articles. An average weighted by the volume of traffic moving thereunder would eliminate entirely from the average the rates on any articles that might be so high as to prevent movement. A weighted average, furthermore, would give the rate on one article a different weight in the average of one territory than it gives it in the average of another territory, and would make a comparison of the averages meaningless. In fact, the weighted average would diminish the influence of a rate in proportion to its restrictive effect.

For the reasons stated above, it is apparent that the averages of published class rates in the different territories have significance. The analysis shows that although the average rate levels on class traffic in the South and West are not quite as high in comparison with the Official Territory level as is indicated by the average relation of the first-class rates, nevertheless, the differences in level are very substantial.

In table 38, the relative levels of first-class rates, and the relative levels of class rates after classification and exceptions ratings are considered, are shown side by side for purposes of comparison.

TABLE 38.—Relative levels of first-class rates and of all class rates, taking into consideration classification and exceptions ratings in the various rate territories

[Official=100]

Territory	Relative level of first-class rates	Relative level of all class rates, taking into consideration classification and exceptions ratings
Official.....	100	100
Southern.....	139	133
Western Trunk-Line:		
Zone I.....	129	127
Zone II.....	146	145
Zone III.....	161	160
Zone IV.....	184	183
Southwestern.....	161	153

If we refer back to tables 32-35, inclusive, it will be noted that there are interesting differences in the treatment of carload and less-carload traffic in the different territories. If the average relations of ratings on carload and on less-carload traffic are converted into relative numbers separately, in the same manner as was done for all traffic, the results are as shown in table 39.

TABLE 39.—Relative level of carload and less-carload class rates in the various territories taking into consideration classification and exceptions ratings

[Official=100]

Territory	Carload class rates	Less-carload class rates
Official.....	100	100
Southern.....	141	123
Western Trunk-Line:		
Zone I.....	126	123
Zone II.....	144	146
Zone III.....	159	161
Zone IV.....	181	184
Southwestern.....	141	161

The table shows that in Southern Territory the level of less-carload class rates is closer to the Official level than the level of carload class rates. The table also brings out the fact that the Southern and Western Trunk-Line zone I levels of less-carload class rates are on about the same level. Carload class rates show the same average level in Southwestern and Southern territories.

E. COMPARISON OF APPLICABLE RATINGS ON INDIVIDUAL COMMODITY DESCRIPTIONS

In the preceding paragraphs applicable ratings, classification, or exceptions have been compared in the various rate territories to determine their effect on the general level of class rates. No attempt was made to note differences in levels on particular commodity descriptions. In this section the applicable ratings on commodity descriptions in one territory are matched with the applicable ratings on commodity descriptions in another territory. This information is presented in a series of tables showing separately for carload ratings, less-carload ratings, and any-quantity ratings, the number of commodity descriptions in one territory taking each rating, and the corresponding ratings applicable in another territory. Thus, from table 40 it can be seen that there are 166 commodity descriptions in the Official Classification or exceptions which carry a first-class rating in carloads. Of these 152 also carry a first-class rating in Southern Territory, 9 carry a rating of 85 percent of first class in Southern Territory, 3 carry a rating of 70 percent of first class, and 2 a rating of 40 percent of first class. The tables showing these comparisons for the various territories are numbered as follows:

- Tables 40, 41, and 42—Southern with Official.
- Tables 43, 44, and 45—Western Trunk-Line with Official.
- Tables 46, 47, and 48—Southwestern with Official.
- Tables 49, 50, and 51—Western Trunk-Line with Southern.
- Tables 52, 53, and 54—Southwestern with Southern.
- Tables 55, 56, and 57—Southwestern with Western Trunk-Line.

A summary statement showing the extent to which applicable ratings are uniform in any two rate territories is given in table 58.

TABLE 40.—Comparison of carload ratings in Official and Southern Classifications as modified by exceptions thereto¹

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
300-----	8	200	8	82½-----	1	88	1
		150	1	82-----	1	45	1
		100	1			70	2
		150	1			55	575
150-----	8	100	1			50	43
		85	1			45½	20
125-----	19	125	18			45	141
		85	1			44	1
		100	152			41	104
100-----	166	85	9			40	50
		70	9			37½	11
		40	2	50-----	988	35	9
95½-----	2	70	2			33½	1
		85	479			32½	1
		77½	1			31½	2
		70	62			30	17
		65	3			27½	3
85-----	561	55	6			27	1
		50	6			25	1
		40	1			22½	2
		35	1			17½	1
		30	1			62	1
		27½	1			55	2
		85	1			50	3
81-----	9	81	5			48	3
		70	2			45	2
		82½	1	48-----	36	43	1
		100	5			40½	2
75-----	16	70	11			38	3
		85	13			33½	1
72-----	13	70	1			28½	1
		47	1			21½	1
		85	4			70	1
		70	971	47½-----	7	55	4
		68	1			45	1
		60	26			37½	1
		85	156			41	2
70-----	1,190	50	2	45½-----	13	40	1
		45	17			38	1
		44	1			37½	9
		40	2			55	8
		37	2			45	260
		35	4			41	1
		30	2			40	5
		25	1	45-----	238	39	1
		70	6			37½	7
67-----	12	67	1			35	2
		55	3			30	2
		45½	2			25	3
		85	1	44-----	1	44	1
		75	1			55	2
65-----	128	60	1	43-----	5	40½	1
		55	124			38	2
		50	1			70	3
		70	2	42½-----	23	55	16
		60	4			45	2
60-----	46	55	2			40	2
		50	37	41-----	2	55	2
		45	1			100	1
59-----	1	57½	1			70	10
57½-----	1	70	1			57	3
		85	2			55	48
		70	19			50	3
		55	946			45	634
		50	16	40-----	1,578	40	692
		45½	1			37½	5
55-----	1,036	45	35			37	157
		42	1			35	5
		40	13			32½	1
		37½	2			31½	7
		35	1			30	9
						22	3

Footnote at end of table.

TABLE 40.—Comparison of carload ratings in Official and Southern Classifications as modified by exceptions thereto —Continued

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
39½	4	39½	4	32½	33	70	1
37½	707	70	3			55	3
		55	14			45	4
		45	98			40	7
		40	533			37½	1
		38	2			35	7
		37½	44			32½	4
		35	6			30	4
		34	1			27½	1
		30	3			25	1
		27	2	40	5		
37	15	12	1	32	16	35	1
		55	4			30	2
		45	4			27½	2
		40	3			21½	6
		37	4			26½	1
36½	16	46½	2	31	4	25	1
		45½	8			19	2
		45	1			70	1
		42	3			55	3
		35	1			45	1
36	2	29½	1	30½	82	40	10
		50	1			39	37
		28½	1			37½	2
		70	2			37	2
		55	31			35	16
		45	165			32½	2
		40	1,255			30	2
		39	4			29	2
		38	1			27½	4
		37½	39			55	2
		37	2			45	1
		35	232			40	28
		32½	78			37½	4
		31½	7			35	4
		30	171			30	55
35	2,087	29½	1	30	111	27	11
		29	2			22½	1
		27½	17			21½	1
		27	5			19	2
		26½	1			18	2
		25	20			45	5
		24½	7			40	2
		24	3			38	2
		22½	21			35	13
		21½	3			27½	4
		20	2			24½	11
		19	9			40	4
		18	2			25	4
		17½	6			55	6
		13½	1			45	3
34	47	70	1	29½	37	40	53
		40	1			39	1
		37½	31			37½	2
		34	14			37	1
		40	16			35	24
		38	4			32½	21
		37½	1			30	160
		33½	5			28½	10
		32½	3			27½	8
		31	1			27	3
33½	55	30	3	27½	473	25	34
		27½	2			23	2
		26	1			22½	47
		22½	5			21½	15
		21½	9			20½	12
		17	2			20	14
		13½	3			19	6

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 40.—Comparison of carload ratings in Official and Southern classifications as modified by exceptions thereto —Continued

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
27½	473	18	2	22½	181	85	1
		17½	61			70	1
		16	4			48	4
		15	1			40	16
		12½	3			35	2
		40	3			32½	11
		35	2			30	57
		33½	2			27½	4
		32½	2			25	4
		31½	2			22½	28
26½	68	30	8	21½	6		
		27½	1	20½	2		
		26½	3	20	17		
		24	4	17½	20		
		23½	5	16½	6		
		21½	27	16	2		
		17½	2	13	1		
		17½	2	22½	1		
		30	2	30	2		
		25½	3	18	4		
25	169	55	1	21	1		
		48	1	40	2		
		40	10	30	1		
		37½	3	21	1		
		35	1	15	1		
		32½	4	40	1		
		30	40	32½	1		
		27½	5	30	1		
		27	1	25	1		
		25	47	22½	1		
24	8	24½	2	20	2		
		23	1	17½	11		
		22½	24	15	1		
		20	9	12½	1		
		18	11	30	1		
		17½	6	22½	1		
		15	3	20	1		
		40	3	17½	1		
		32½	1	16	1		
		30	1	30	1		
23½	10	40	2	20	1		
		30	1	30	1		
		25	3	22½	3		
		22½	1	20	1		
		20	2	16	1		
		17	1	12	1		
		40	6	22½	3		
		30	7	17½	1		
		27½	2				
		27	5				
23	57	25	13				
		22½	6				
		20	13				
		18	2				
		17½	2				
		16	1				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714 and Agent E. H. Dulaney's Tariff, I. C. C. No. 86.

TABLE 41.—Comparison of less-carload ratings in Official and Southern Classifications as modified by exceptions thereto ¹

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
400.....	2	400	2	67.....	5	85	2
300.....	16	300	16	65.....	22	70	3
250.....	20	250	20	64.....	1	70	22
		200	295	63.....	4	85	1
200.....	311	100	11			70	2
		85	2			57	2
		70	2			100	5
		55	1			85	2
175.....	3	175	3	60.....	101	70	42
		150	350			57	1
150.....	415	100	40			55	38
		85	17			50	11
		70	8			42	2
125.....	54	125	39	57½.....	3	70	2
		100	6			55	1
		85	9			70	7
110.....	2	110	1	57.....	35	57	11
		100	1			55	11
		125	1			40	3
		100	1,014			37	3
		85	351			85	9
		80	1			70	29
100.....	1,884	70	474			57	7
		55	28	55.....	764	55	549
		50	4			50	85
		45	3			45	41
		42	2			42	9
		40	4			40	30
		35	1			37	2
		30	1			30	1
		200	2			28½	2
		100	2			100	2
		85	796			85	2
		70	1,282			70	6
		67	1			55	12
85.....	2,243	57	2			50	546
		55	117	50.....	804	45	120
		50	24			42	10
		45	6			40	84
		42	3			35	2
		40	2			30	4
		35	6			27½	1
81.....	1	85	1			26½	12
80.....	1	70	1			26	2
77½.....	4	70	1	52.....	3	23	1
		55	3			37	3
75.....	3	70	2	48.....	4	50	3
		55	1			40	1
73½.....	7	70	7	45.....	2	55	2
		100	1			200	6
72.....	30	70	26			150	6
		60	3			100	8
		200	1			85	6
		100	7			70	8
		85	19	40.....	305	55	25
		70	1,925			50	31
		57	10			45	8
		55	864			40	175
		52½	1			35	3
70.....	3,015	50	117	35.....	1	26½	29
		45	31			40	1
		42	13	33½.....	2	70	1
		40	17			50	1
		37	1				
		35	6				
		27½	1				
		26½	1				
		26	1				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714 and Agent E. H. Dulaney's Tariff, I. C. C. No. 86.

INTERTERRITORIAL FREIGHT RATES

TABLE 42.—Comparison of any-quantity ratings in Official and Southern Classifications as modified by exceptions thereto ¹

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southern Classification Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
300.....	6	300	6	70.....	8	70	1
250.....	1	250	1	55.....	1	55	2
200.....	4	200	4	67.....		60	2
150.....	2	150	2	68.....	2	85	1
		100	12	70		70	2
		70	10	50		70	1
100.....		27	55	2		50	1
			50	2		70	1
95 1/4.....	1	45	1	60.....	12	55	1
		100	1	50	3	50	9
85.....	10	85	2	45		45	1
		70	1	57.....	3	50	2
		40	1	48.....		35	1
81.....	1	85	1	83 1/4.....	1	70	1

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, and Agent E. H. Dulaney's Tariff, I. C. C. No. 86.

TABLE 43.—Comparison of carload classification ratings in Official and Western Trunk-Line Territories as modified by exceptions thereto ¹

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number	
200.....	8	300	1	72.....	15	75	6	
		75	3	70		8		
		60	1	47		1		
150.....	3	75	2	85		2		
		60	1	75		4		
125.....	19	125	17	70		59		
		75	2	60		1,045		
		100	3	55		25		
100.....	166	75	156	50		11		
		60	4	47		5		
		55	1	46		5		
		35	2	45		4		
95 1/2.....		2	70	1		70.....	1,190	42 1/2	1
	62		1	42		1		
		85	9	40		1		
		75	496	37 1/2	1			
		70	1	36	1			
		65	3	35	7			
85.....	361	60	46	32 1/2	17			
		55	3	30	3			
		46	1	27 1/2	2			
		45	3	70	6			
		42	6	60	2			
		35	2	55	1			
		32 1/2	1	47 1/2	1			
		85	6	36	2			
81.....	9	70	1	75	5			
		47 1/2	1	60	119			
		36	1	55	4			
75.....	16	100	5	63	1			
		75	11	60	6			
				50	25			
				40	4			

¹ Footnote at end of table.

TABLE 43.—Comparison of carload classification ratings in Official and Western Trunk-Line Territories as modified by exceptions thereto—Continued

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
59	1	38½	1	43	5	55	2
57½	1	47½	1			35	1
		75	1			33½	2
		60	24			60	6
		55	949	42½	23	55	15
		50	8			45	1
		47	4			42½	1
		46½	1	41	2	46	1
		46	7			30	1
		45	18			70	2
55	1,036	42½	1			60	10
		42	4			55	71
		41	5			50	2
		40	1			46	297
		37½	2			45	841
		37	2			42	2
		35	3	40	1,578	40	227
		32½	4			37½	84
		30	2			36½	3
52½	1	30	1			35	20
52	1	35	1			32½	14
		60	4			30	2
		55	669			25	2
		50	23			17½	1
		46	23	39½	4	45	4
		45	75			70	1
		44	1			60	3
		42	4			55	17
		41	128			46	4
		40	1			45	99
50	985	37½	23			40	2
		37	4	37½	708	37½	510
		35	6			36½	11
		32½	1			35	8
		30	13			32½	17
		25	3			30	33
		23	2			25	1
		22½	2			17½	2
		20	3			47	6
		67	1			40	2
		60	4	37	14	37½	2
		57½	1			35	4
		55	14			55	2
		45	2			40	11
48	36	42½	1	36½	16	23	3
		37½	1			50	1
		36½	3	36	2	30	1
		35	3			70	2
		33½	1			60	2
		30	2			55	33
		28½	2			46	1
		26½	1			45	155
47½	7	60	2			42½	80
		55	2			40	4
		45	3			38½	1
		55	1			38	1
45½	13	41	2			37½	1,316
		36½	3			37	23
		35	6			36½	18
		23	1	35	2,087	36	4
		55	13			35	79
		48	2			32½	256
		46	2			30	65
		45	254			28	1
		41	1			27½	8
45	238	37½	2			25	8
		36½	6			24½	2
		35	3			24	1
		32½	2			22½	20
		37½	1			21½	2
44	1	25	2			17½	5
		46	1				

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 43.—Comparison of carload classification ratings in Official and Western Trunk-line Territories as modified by exceptions thereto —Continued

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
34-----	47	60	2	27 1/2-----	473	25	2
		37 1/2	26			33 1/2	5
		36	19			32 1/2	76
		25	1			30	136
		37 1/2	15			29 1/2	3
		36	1			25	1
		32 1/2	2			23 1/2	1
		31	4			22 1/2	60
		30	2			20	12
		28 1/2	1			17 1/2	57
33 1/2-----	55	26 1/2	9	20 1/2-----	68	16	1
		24	3			12	1
		21 1/2	5			37 1/2	19
		19	1			32 1/2	30
		17 1/2	1			30	2
		15 1/2	1			28	3
		70	3			27 1/2	2
		60	1			24	1
		55	2			22 1/2	6
		45	1			21 1/2	4
32 1/2-----	33	40	1	26-----	1	17 1/2	1
		37 1/2	10			37 1/2	1
		35	6			55	1
		32 1/2	4			37 1/2	1
		30	8			27 1/2	1
		37 1/2	12			55	1
32-----	16	30	2	25 1/2-----	3	37 1/2	36
		25	1			37 1/2	1
		20 1/2	1			27 1/2	44
		30	2			25	7
		21 1/2	2			23	5
		70	1			22 1/2	1
31-----	4	55	5	25-----	169	22 1/2	23
		46	1			21 1/2	1
		37 1/2	35			20	34
		36	1			18	7
		33 1/2	3			17 1/2	5
		29 1/2	4			16	1
		28	27			37 1/2	2
		25	2			32 1/2	2
		24 1/2	1			37 1/2	8
		22 1/2	1			30	1
30 1/2-----	82	20	1	24-----	8	17 1/2	1
		60	1			37 1/2	2
		46	1			32 1/2	2
		37 1/2	39			37 1/2	8
		35	3			30	1
		32 1/2	10			17 1/2	1
		30	35			27 1/2	22
		27 1/2	1			30	11
		25	11			27 1/2	2
		22 1/2	2			25	7
30-----	111	21 1/2	2	23-----	57	23	1
		17 1/2	6			22 1/2	8
		45	1			18	2
		37 1/2	9			17 1/2	1
		36	1			15	1
		27 1/2	2			85	1
		25 1/2	1			70	1
		24 1/2	20			45	3
		20	2			37 1/2	13
		37 1/2	4			35	1
29 1/2-----	27	24 1/2	20	22 1/2-----	181	32 1/2	42
		25	1			30	41
		24 1/2	20			29 1/2	1
		20	2			22 1/2	29
29-----	4	37 1/2	4	22-----	1	20	1
		60	1			19	2
		55	1			17 1/2	44
		45	2			12	2
28-----	4	55	9	21 1/2-----	6	22 1/2	1
		45	12			32 1/2	5
		40	1			23 1/2	1
		37 1/2	96				

Footnote at end of table.

TABLE 43.—Comparison of carload classification ratings in Official and Western Trunk-line Territories as modified by exceptions thereto¹—Continued;

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
21.....	1	30	1	19.....	5	30	1
20½.....	5	37½	3	18.....	2	22½	3
		30	1			15	1
		17½	1			30	1
20.....	20	37½	1	17½.....	7	17½	1
		22½	2			22½	4
		20	3			17½	3
		17½	11			32½	2
		15	3	17.....	3	23	1
				13.....	1	17½	1

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date, as shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, and Agent L. E. Kipp's Tariff, I. C. C. No. A-3333.

TABLE 44.—Comparison of less-carload classification ratings in Official and Western Trunk-Line Territories as modified by exceptions thereto¹

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
400.....	2	400	2	75.....	3	85	2
300.....	16	300	16			55	1
250.....	20	250	20			100	3
200.....	311	200	303	73½.....	7	85	1
		110	6			70	3
		70	1			100	5
		55	1			85	10
175.....	3	175	3	72.....	30	72	5
150.....	415	150	402			70	9
		110	3			55	1
		70	8	200	1		
		55	2	100	21		
125.....	54	125	53	70.....	3,015	85	59
110.....	2	55	1			70	2,687
		110	2			60	2
100.....	1,884	200	3			57	1
		150	3			55	221
		110	1			50	15
		100	1,743			45	1
		85	12			35	7
		72	1			85	2
		70	107			70	3
		68	2	100	4		
		57	1	85	14		
		55	10	70	1		
50	1	55	3				
200	1	200	1				
100	20	100	20				
85.....	2,243	85	1,951	64.....	1	100	1
		70	222	63.....	4	85	2
		57	1	55	2		
81.....	1	55	47	60.....	101	100	5
		50	1			85	9
		85	1			70	34
		80.....	1			100	1	63	11
77½.....	4	85	1	60	11		
		70	1	55	30		
		55	2	50	1		
				57½.....	3	60	3

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 44.—Comparison of less-carload classification ratings in Official and Western Trunk-Line Territories as modified by exceptions thereto¹—Continued

Applicable rating, Official Classification Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding ratings in Western Trunk-Line Ter- ritory		Applicable rating, Official Classification Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding ratings in Western Trunk-Line Ter- ritory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
87.....	35	100 85 70 57 55	1 11 9 5 9	50.....	804	100 70 55 50 35	2 8 783 2 2
85.....	764	150 100 55 70 57 55 50 35	2 4 14 60 17 654 10 2	48..... 45.....	4 2	55 55 200 100 85 70 55 50 40	2 2 2 1 5 6 158 120 4
82.....	8	70 42	1 2	40..... 35..... 33½.....	305 1 2	85 70 55 50 40 45 70 55	1 1 1 158 120 4 1 1 1

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date, as shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, and Agent L. E. Kipp's Tariff, I. C. C. No. A-3333.

TABLE 45.—Comparison of any-quantity classification ratings in Official and Western Trunk-Line Territories as modified by exceptions thereto¹

Applicable rating, Official Classification Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding ratings in Western Trunk-Line Ter- ritory		Applicable rating, Official Classification Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding ratings in Western Trunk-Line Ter- ritory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
300.....	6	300	6	70.....	5	70	3
250.....	1	250	1	67.....	1	63	2
200.....	4	200	4	65.....	3	85	1
150.....	2	150	2	65.....	3	68½	1
90.....		100	22	65.....	3	63	1
100.....	27	70 63 57	1 2 1	60.....	12	50 100 63	1 2 10
95½.....	1	85	1	57.....	3	57	3
85.....	10	85	10	45.....	3	55	3
81.....	1	85	1	33½.....	1	70	1

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date, as shown in Agent W. S. Curlett's Tariff I. C. C. No. A-714, and Agent L. E. Kipp's Tariff I. C. C. No. A-3333.

TABLE 46.—Comparison of carload classification ratings in Official and Southwestern Territories as modified by exceptions thereto¹

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
200-----	5	200	1	59-----	1	38½	1
		75	3	57½-----	1	28	1
		60	1			75	2
150-----	3	75	2			70	1
		60	1			60	7
125-----	19	125	1			57½	1
		75	18			55	38
		100	3			50	5
		75	156			48	13
100-----	166	60	3			47	5
		46	1			46	918
		37	2			45	17
95½-----	2	32½	1	55-----	1,036	44½	1
		70	1			43	2
		47½	1			42½	2
		85	16			42	3
		75	486			41	1
		72	1			40	4
		70	1			39½	1
		62	1			37½	3
		60	39			37	1
85-----	561	57½	8			35	4
		55	1			32½	4
		46	1			31	2
		45	1			30	1
		42	2	52½-----	1	30	1
		35	2	52-----	1	35	1
		32½	1			60	4
		31	1			55	66
		85	6			50	26
81-----	9	45½	1			48	2
		45	1			47	1
		36	1			46	599
75-----	16	100	5			45	58
		75	11			44	2
		75	6			43	19
72-----	15	70	8			42	4
		47	1	50-----	985	41	13
		85	2			40	1
		75	4			39½	117
		70	41			37½	38
		65	5			37	9
		60	1,002			35	3
		77½	19			33½	2
		55	6			30	10
		50	2			28	1
		48	8			23	2
		47	1			22½	3
70-----	1,190	46	56			20	5
		45	6			57½	1
		43	1			55	1
		42½	1			46	21
		42	3			45½	1
		40	6			45	1
		37½	7			41	1
		35	7			39	1
		33½	1	48-----	36	37½	1
		32½	9			36	1
		30	3			35	1
67-----	12	70	5			32	3
		60	5			30	1
		55	2			29½	1
65-----	128	75	2			15½	1
		57½	125			60	2
		43	1			48	1
		60	2	47½-----	7	46	2
		57½	3			45	1
		55	2			36½	1
60-----	46	50	4				
		48	31				
		46	4				

Footnote at end of table.

TABLE 46.—Comparison of carload classification ratings in Official and Southwestern Territories as modified by exceptions thereto¹—Continued

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
32-----	16	37½	3	26-----	1	37½	1
		30	2	25½-----	3	37½	3
		25	10			37½	27
		20½	1			30	43
31-----	4	30	3			29	1
		25	1			27½	10
		70	1			25	11
		46	6	25-----	169	22½	18
		37½	13			21½	1
		33½	26			20	39
30½-----	82	29½	4			18	9
		23	27			17½	8
		25	2			16	2
		24½	1			37½	3
		23½	1	24-----	5	32½	2
		20	1			37½	4
		60	1	23½-----	10	30	6
		46	2			37½	5
		37½	31			30	8
		35	4			29	14
		33½	1			25	8
		32½	10			22½	8
30-----	111	30	36	23-----	57	20	1
		25	10			19	2
		24	2			18	4
		22½	3			17½	4
		20	4			17	2
		18	1			15	1
		17½	6			85	1
		45	1			70	2
		37½	12			45	2
29½-----	37	27½	3			37½	4
		24½	2			35	1
		24	1			32½	37
		23½	18			30	31
29-----	4	37½	4			23½	2
		60	1	22½-----	181	22½	20
		46	1			20	6
		45	2			19	1
		46	7			17½	24
		45	12			17	29
		37½	98			16	4
		35	3			15½	16
		33½	2			12	1
		32½	60	22-----	1	22½	1
		30	127			32½	1
		29½	3	21½-----	6	23½	1
		29	1			17½	1
		27½	4			17	3
		26½	1			30	1
		25	1	21-----	1	37½	4
		24	2	20½-----	5	14	1
		23½	1			22½	3
		22½	58			20	3
		20	15			17½	10
		17½	52	20-----	20	15	1
		17	4			14½	2
		16	6			12	1
		15½	4			30	1
		15	3	19-----	5	22½	3
		14½	2			15	1
		12	6			30	1
		11	1	18-----	2	17½	1
		37½	15			22½	5
		35	1	17½-----	7	15½	1
		32½	28			9	1
		30	3			13	3
		28	3	17-----	3	17½	3
		27½	2	13-----	1		1
		26	2				
		24	1				
		22½	9				
		21½	1				
		17½	1				
		16½	1				
26½-----	68	13	1				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, and Agent J. R. Peel's Tariff, I. C. C. No. 3475.

INTERTERRITORIAL FREIGHT RATES

TABLE 47.—Comparison of less-carload classification ratings in Official and Southwestern Territories as modified by exceptions thereto¹

Applicable rating, Official Classification Territory (percent of first class)	Number of com- modity descrip- tions taking this rat- ing	Corresponding rat- ings in South- western Territory		Applicable rating, Official Classifi- cation Territory (percent of first class)	Number of com- modity descrip- tions taking this rat- ing	Corresponding rat- ings in South- western Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
400.....	3	400	3	67.....	8	85	3
300.....	16	300	14			70	3
		70	2			85	14
250.....	20	250	18	65.....	22	70	8
		70	2			65	3
200.....	311	200	209	64.....	1	70	1
		110	6			85	1
		70	4	63.....	4	85	2
		55	2			80	1
175.....	3	175	3			85	11
		150	404			70	53
150.....	415	110	3	60.....	101	63	3
		70	8			85	26
		55	8			80	9
125.....	54	125	53	57½.....	3	60	2
		55	1			85	4
110.....	2	110	2	57.....	35	70	20
		150	3			87	6
		110	1			55	5
100.....	1,384	100	1,734			85	10
		85	8			70	47
		70	124	55.....	704	87	17
		87	1			55	608
		55	13			70	17
		25	17			35	8
		70	2,175			70	1
85.....	2,243	87	1	52.....	3	42	2
		55	45			85	2
		80	5			70	10
81.....	1	85	1	50.....	304	55	777
80.....	1	70	1			80	7
		85	1			35	8
77½.....	4	70	1	49.....	4	55	4
		55	2	45.....	2	85	2
75.....	3	85	2			85	9
		55	1			70	29
73½.....	7	85	2	40.....	305	55	158
		70	8			80	108
		85	9			40	3
72.....	30	72	1	35.....	1	45	1
		70	16	33½.....	2	70	1
		55	4			55	1
		85	58				
		75	1				
		70	2,719				
		47	5				
70.....	3,018	55	194				
		80	23				
		45	1				
		40	1				
		35	8				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent W. S. Curlett's Tariff I. C. C. No. A-714, and Agent J. R. Peel's Tariff I. C. C. No. 247A.

TABLE 48.—Comparison of any-quantity classification ratings in Official and Southwestern Territories as modified by exceptions thereto ¹

Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Official Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
300.....	6	300	6			70	1
250.....	1	250	1	65.....	3	68½	1
200.....	4	200	4			57	1
150.....	2	150	2			100	1
		100	22			70	3
100.....	27	70	2	60.....	12	63	1
		50	2			57	1
		40	1			50	6
95½.....	1	100	1	57.....	3	50	1
85.....	10	85	9			45	2
		70	1	48.....	3	70	1
81.....	1	85	1			55	2
70.....	5	70	5	33½.....	1	70	1
67.....	1	85	1				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent W. S. Curlett's Tariff, I. C. C. No. A-714, and Agent J. R. Peel's Tariff, I. C. C. No. 3475.

TABLE 49.—Comparison of carload classification ratings in Southern and Western Trunk-Line Territories as modified by exceptions thereto ¹

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
200.....	3	200	1	67.....	1	70	1
		75	2				
150.....	2	75	2	65.....	4	75	3
125.....	18	125	17			70	1
		75	1				
		100	7	62.....	1	57½	1
100.....	160	75	146				
		60	5	60.....	31	60	28
		35	2			50	3
		100	1				
		85	10	57½.....	1	38½	1
85.....	512	75	458			32½	3
		70	8	57.....	3		
		60	23			75	1
		55	2			70	11
		46	6			65	3
		45	2			60	257
		35	2			55	1,581
81.....	5	85	5			50	4
77½.....	1	75	1			47½	1
75.....	1	75	1			47	7
		85	3			46	12
		75	50			45	3
		70	58	55.....	1,959	42½	1
		62	1			41	26
		60	940			40	4
		55	1			37½	7
		50	5			37	21
70.....	1102	47½	2			36½	2
		46	5			35	10
		42½	1			32½	4
		42	5			30	1
		40	8			27½	1
		35	5			25	1
		32½	17			20	1
		27½	1	52½.....	1	36	1

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 49.—Comparison of carload classification ratings in Southern and Western Trunk-Line Territories as modified by exceptions thereto¹—Continued

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
80.....	117	73	6	40.....	2,728	25	1
		70	1			23	4
		63	1			22½	9
		60	7			21½	1
		55	26			20	2
		50	62			19	1
		46	4			17½	2
		45	5			12	1
		41	2			45	3
		26	1			30½	1
		67	1			46	1
		60	4			37½	10
		35	3			33½	1
48.....	8	47	1	39.....	43	28	24
		40½	2			22½	2
45½.....	31	55	3	38.....	21	20	1
		45	19			55	2
		40	9			37½	4
		70	4			36	1
		60	11			35	1
		55	121			33½	2
		50	4			31	2
		48	2			30	2
		40½	1			28½	2
		46	294			27½	1
		45	826			26½	2
		42	2			23	1
		41	1			21½	1
45.....	1,382	40	9	37½.....	163	55	7
		37½	9			46	3
		36½	5			45	2
		36	2			41	2
		35	54			38½	1
		32½	9			37½	104
		30	14			36½	30
		27½	4			36	9
		25	3			35	2
		24½	3			30	1
		22½	1			25	1
		17½	3			55	1
		60	1			47	4
44.....	3	44	1	37.....	169	45	2
		40	1			42	1
43.....	1	37½	1	35.....	331	40	157
		40	3			37½	2
42.....	4	55	1			32½	2
		40	1			60	3
41.....	107	41	105			55	7
		30	2			46	1
40½.....	8	42½	1			46	10
		36	1			40	1
		33½	1			38	1
		75	3			37½	227
		70	2			36½	6
		60	1			35	2
		55	49			35	27
		50	2	33½	2		
		46	12	32½	6		
		45	575	30	7		
		42½	81	25	9		
		42	9	24½	9		
		40	63	22½	1		
37½	1,670	19	2				
37	8	17½	1				
36½	1	60	1				
36	3	37½	6				
40.....	2,728	35	33	24.....	15	36	9
		33½	152			55	2
		31	2			27½	2
		30	35			26½	2
		28½	1			24	3
		27½	3				
		26½	2				

Footnote at end of table.

TABLE 49.—Comparison of carload classification ratings in Southern and Western Trunk-Line Territories as modified by exceptions thereto—Continued

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
32½	129	45	6	24	7	37½	4
		37½	12	30		1	
		32½	104	24		2	
		30	2	30		1	
		25	2	22½		2	
		21½	1	45		2	
		20	1	37½		8	
		17½	1	32½		13	
		55	3	30		21	
		45	6	29½		1	
31½	18	37½	2	22½	150	26½	2
		32½	4	23		1	
		30	2	22½		89	
		26½	1	21½		6	
31	1	30	1	20½	3	20½	1
		75	1	18		1	
		55	17	17½		5	
		46	6	37½		3	
		45	1	37½		28	
30	550	37½	92	21½	67	32½	28
		36½	1	30		4	
		35	5	23½		1	
		32½	131	22½		6	
		30	263	22½		1	
		23½	1	37½		1	
		22½	9	30		1	
		21½	3	20		3	
		20	10	37½		5	
		17½	10	30		6	
20½	2	32½	1	20	62	25	6
		23	1	23		2	
		37½	3	22½		7	
29	4	30	1	20	4	17½	7
		37½	3	15		1	
28½	12	33½	5	19	19	37½	9
		30	2	30		8	
		22½	5	21½		1	
		75	1	20		1	
		55	4	37½		1	
27½	54	37½	24	18	23	32½	4
		36	1	30		1	
		35	1	22½		2	
		32½	2	21½		1	
		30	7	18		9	
		29½	7	17½		5	
		27½	5	55		5	
		25	1	37½		2	
		22½	1	32½		6	
		45	1	30		7	
27	28	37½	15	17½	112	22½	14
		35	2	17½		72	
		25	10	16		2	
		45	1	15		2	
26½	6	37½	1	17	3	12	2
		30	1	30		2	
		28	3	15½		1	
26	1	21½	1	16½	6	17½	6
		60	3	30		2	
		55	5	22½		4	
		45	12	17½		8	
		37½	43	15		1	
25	133	32½	1	15	6	37½	1
		30	15	30		1	
		27½	12	20		1	
		25	5	17½		2	
		22½	8	15		1	
		21½	1	45		1	
		20	28	30		2	
		37½	4	22½		1	
24½	20	25	5	12½	4	17½	1
		24½	10	12		4	
		20	1	30		1	
		17½	1	17½		1	

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by generally applicable exceptions in effect on that date as published in Agent E. H. Dulaney's Tariff I. C. C. No. 86 and Agent L. E. Kipp's Tariff I. C. C. No. A-3333.

INTERTERRITORIAL FREIGHT RATES

TABLE 50.—Comparison of less-carload classification ratings in Southern and Western Trunk-Line Territories as modified by exceptions thereto ¹

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
400.....	2	400	2			85	96
300.....	16	300	16			70	814
250.....	20	250	20			63	1
		200	209			60	3
200.....	304	85	1	55.....	1,652	57	2
		80	4			55	606
175.....	3	175	3			50	30
		150	347			45	2
150.....	356	70	2			40	2
		50	6			35	6
125.....	40	125	39	52½.....	1	55	1
		100	1			45	15
110.....	1	110	1			70	79
		200	7			63	7
		150	37	50.....	322	55	680
		125	6			50	23
		110	11			35	10
100.....	1,097	100	988			100	1
		85	3			70	32
		70	37	45.....	209	55	170
		57	1			50	5
		55	2			35	1
		50	3			35	9
		200	3			70	15
		150	15	42.....	39	55	15
		125	5			100	2
		100	187			85	2
85.....	1,217	85	927	40.....	317	70	16
		70	59			55	222
		60	1			50	73
		55	13			40	2
		50	4			70	1
80.....	1	100	1			60	1
		200	1	37.....	9	57	4
		150	6			55	1
		100	629			42	2
		85	1,030			35	5
		72	6	35.....	18	70	3
		70	2,088			55	5
70.....	3,850	68	2	30.....	6	100	1
		63	3			55	5
		60	10	27½.....	2	70	1
		57	2			55	1
		55	63	26½.....	44	55	44
		50	10			70	1
67.....	1	85	1	26.....	3	55	2
60.....	3	100	1			55	1
		70	2	23.....	1	55	1
		55	5				
		70	9				
57.....	23	60	1				
		57	14				
		55	2				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent E. H. Dulaney's Tariff, I. C. C. No. 86 and Agent L. E. Kipp's Tariff, I. C. C. No. A-3333.

TABLE 51.—Comparison of any-quantity classification ratings in Southern and Western Trunk-Line Territories as modified by exceptions thereto ¹

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Western Trunk-Line Territory			
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number		
300.....	6	300	6	55.....	5	100	2		
250.....	1	250	1			70	2		
200.....	4	200	4			63	1		
150.....	2	150	2			100	1		
100.....	13	100	12			70	1		
85.....	10	70	1			50.....	16	63	11
		85	10					55	2
		100	10					50	1
70.....	16	85	2			45.....	5	63	1
		70	1					57	4
		68½	1	85	1				
		63	2	38.....	1				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent E. H. Dulaney's Tariff, I. C. C. No. 86 and Agent L. E. Kipp's Tariff, I. C. C. No. A-3333.

TABLE 52.—Comparison of carload classification ratings in Southern and Southwestern Territories as modified by exceptions thereto ¹

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rate	Corresponding ratings in Southwestern Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rate	Corresponding ratings in Southwestern Territory			
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number		
200.....	3	200	1	70.....	1,102	43	1		
150.....	2	75	2	67.....	1	42½	1		
		75	2			42	1		
125.....	18	125	1			65.....	4	40	4
		75	17					37	1
		100	7					35	5
100.....	160	75	147			62.....	1	32½	5
		60	4					28	1
		37	2					60	1
		100	1					65	2
85.....	512	85	17			60.....	31	62	1
		75	458	57½	1				
		72	1	57½.....	1	57½	1		
		60	15			70	2		
		57½	8	57.....	3	60	3		
		55	3			57½	24		
		81.....	5	53	2	55.....	1,959	48	1
				46	1			48	1
42	3			48	1				
35	2			38½	1				
31	1			32½	3				
85	5			85	5			75	1
77½	1			75	1			70	2
75.....	1			75	1			65	3
				85	3			60	134
				75	50			57½	117
		70	51	55	106				
		60	915	53	1				
		57½	1	50	9				
		50	4	48	9				
		48	8	47½	1				
		47½	1	47	5				
		47	2	46	1,469				
70.....	1,102	46	46	45½	2				
		45½	1	45	12				
		45	1	44	1				
				43	2				

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 52.—Comparison of carload classification ratings in Southern and South-western Territories as modified by exceptions thereto—Continued

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rate	Corresponding ratings in South-western Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rate	Corresponding ratings in South-western Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
85.....	1,939	42½	2	40½.....	3	39	1
		42	1			33	1
		41	1			29½	1
		40	4			75	3
		39½	19			60	1
		37½	9			50	3
		37	23			46	45
		35	9			45	565
		33½	4			42½	81
		32½	4			42	9
		31	2			40	90
		30	1			37½	1,643
		27½	3			37	11
		20	3			36½	4
82½.....	1	36	1			35	38
		75	6			34½	1
		70	4			31½	3
		63	1			32½	116
		60	1			31	22
		57½	8	40.....	2,723	30	43
		55	4			29½	1
50.....	117	50	20			29	2
		48	39			28½	1
		46	30			28	4
		43	2			27½	8
		41	1			26½	1
		39½	2			25	4
		35	1			23	2
		31	1			22½	6
48.....	8	46	1			21½	1
		45	1			20	5
		35	6			19	1
47.....	1	47	1			17½	4
		41	1			17	7
46½.....	2	40	1			16	2
		60	2			12	1
		55	1	39½.....	4	45	4
		46	9			46	1
46½.....	31	43	18			37½	6
		40	8			33½	8
		70	6			28	26
		60	8			24½	1
		55	6			20	1
		50	4			46	2
		46	416			45	1
		45	520			45	1
		44½	1			37½	4
		42	2			36½	4
		40	11			32	4
		37½	9	38.....	21	31	2
		37	2			30	2
45.....	1,382	36½	7			26	1
		35	56			21½	1
		33½	1			55	3
		32½	9			46	8
		30	4			45	1
		27½	6			39½	8
		25	2			38½	1
		23½	4			37½	107
		22½	1			36½	6
		20	1	37½.....	163	35	25
		17½	1			29½	3
		17	2			25	1
		15½	1			20	1
		60	1			53	2
44.....	3	44	1			45	5
		40	1			42	1
43.....	1	37½	1			40	155
		46	3	37.....	169	37½	3
42.....	4	40	1			33½	1
		41	15			32½	2
41.....	107	39½	60				
		28	2				

Footnote at end of table.

TABLE 52.—Comparison of carload classification ratings in Southern and South-western Territories as modified by exceptions thereto—Continued

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rate	Corresponding ratings in South-western Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rate	Corresponding ratings in South-western Territory			
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number		
35-----	331	60	2	29½-----	2	32½	1		
		55	2				39½	1	
		46	5	29-----		4	33½	2	
		45	12				30	2	
		38	2	28½-----	12		33½	1	
		37½	196				30	2	
		37	16				22½	5	
		36½	1				19	4	
		35	31				75	1	
		33½	24				46	3	
		32½	4			37½	23		
		30	7			35	1		
		29	4			32½	2		
		28½	4			30	4		
		27½	1			29½	7		
27½	1			27½	8				
26½	1			25	2				
25	4			22½	1				
24½	2			17	2				
24	3			45	1				
23½	7			37½	10				
23	1			35	2				
22½	2			25	14				
19	2			24	1				
17½	1			37½	1				
34-----	15	60	1	26½-----	6	26	2		
		46	2			25	2		
		37½	12			16½	1		
		36	1			21½	1		
33½-----	9	46	1	26-----	1	60	2		
		35	4			46	1		
		32	1			45	12		
		27½	2			37½	31		
		45	6			35	1		
		37½	6			32½	1		
32½-----	129	35	4	25-----	133	30	16		
		33½	2			29	10		
		32½	99			27½	1		
		30	2			25	5		
		29	1			24	2		
		27½	1			22½	14		
		25	2			20	34		
		21½	1			16	1		
		20	3			15½	2		
		17	2			37½	4		
		46	1			29	1		
		45	7			25	5		
31½-----	18	37½	2	24½-----	20	25	5		
		32½	5			23½	10		
		31½	1			37½	4		
		30	2			30	1		
31-----	1	27½	1	24-----	7	24	2		
		75	1			24	1		
		46	19			23	3		
		45	2					30	1
		37½	92					22½	2
		36½	2					37½	5
		35	3					32½	2
		32½	102					30	17
		31	8					27½	1
		30	257					26½	4
30-----	550	29	5	22½-----	150	22½	80		
		28½	1			18½	1		
		27½	6			18	3		
		25	1			17½	18		
		23½	1			17	9		
		22½	4			16	3		
		21½	6			13	5		
		20½	1			12	2		
		20	11			37½	3		
		17½	9			45	1		
		17	12			37½	19		
		16	1			32½	29		
		15½	1			30	2		
		15	2			26	1		
		14½	2			25	6		
13	1	23½	3						
		22½	3						
		17½	1						
		21½-----	67	25	3				
					23½	6			
					22½	3			
				17½	1				

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 52.—Comparison of carload classification ratings in Southern and Southwestern Territories as modified by exceptions thereto¹—Continued

Applicable rating, Southern Classification Territory (percent of first class)	Number of com- modity descrip- tions taking this rate	Corresponding rat- ings in South- western Territory		Applicable rating, Southern Classifi- cation Territory (percent of first class)	Number of com- modity descrip- tions taking this rate	Corresponding rat- ings in South- western Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
21½	67	17	1	17	3	30	2
		15½	1			15½	1
21	1	37½	1	16½	6	17½	2
20¾	4	30	1			30	4
		20	3			30	1
		30	4			22½	2
		29	1	16	10	17½	1
		27½	2			15½	1
		25	2			15	3
		23	2			12	1
30	62	22½	3			37½	1
		20	11			30	1
		17½	5	18	6	20	1
		17	3			17½	1
		16	4			15	1
		15½	14			14	1
		14½	1	13½	4	22½	2
		12	1			13½	1
19	19	37½	2	13	1	17½	1
		30	6			17½	1
		20	11	12½	4	15½	2
		37½	1			11	1
		32½	1	12	2	30	1
		22½	1			9	1
18	22	21½	1				
		18	11				
		17½	5				
		17	2				
		16	1				
		46	7				
		37½	4				
		32½	6				
17½	112	30	7				
		22½	15				
		17½	66				
		16	2				
		14½	1				
		12	3				

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by generally applicable exceptions in effect on that date as published in Agent E. H. Dulaney's Tariff, I. C. C. No. 86, and Agent J. R. Peel's Tariff I. C. C. No. 3475.

INTERTERRITORIAL FREIGHT RATES

TABLE 53.—Comparison of less-carload classification ratings in Southern and Southwestern Territories as modified by exceptions thereto¹

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
400.....	2	400	2			100	18
300.....	16	300	16			85	94
250.....	20	250	18			70	796
		70	2			63	2
200.....	804	200	300	55.....	1,652	60	1
		85	1			57	2
		70	2			70	692
		55	1			50	39
175.....	8	175	3			45	2
150.....	356	150	351			40	1
		70	4	52½.....	1	35	5
55	1	55	1				
125.....	40	125	40			100	2
110.....	1	110	1			85	19
		200	6			70	89
100.....	1,097	150	38	50.....	822	63	1
		125	7			55	669
		110	11	50	28		
		100	995	35	14		
		85	8	100	1		
		70	30	70	20		
		57	1	45.....	209	55	177
		55	4			59	9
		50	2	35	2		
		200	4	100	1		
150	19	42.....	39	85	3		
125	8			70	10		
85.....	1,217	100	327	40.....	317	55	25
		85	770			100	3
		70	69	85	2		
		57	1	70	15		
80.....	1	55	15	37.....	9	55	223
		50	4			50	73
		100	1	40	1		
		200	3	70	2		
		150	9	57	3		
		100	449	55	3		
70.....	3,850	85	1184	35.....	18	42	2
		75	1			100	1
		72	2	85	5		
		70	2123	70	7		
		60	2	55	2		
		57	3	50	3		
67.....	1	55	56	30.....	6	70	1
		50	17			55	5
		40	1	27½.....	2	70	1
85	1	55	1				
60.....	3	100	3	26½.....	44	55	44
		85	1			70	1
57.....	33	70	9	26.....	3	55	2
		57	21			70	1
		55	2	23.....	1	55	1

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent E. H. Dulaney's Tariff, I. C. C. No. 86, and Agent J. R. Peel's Tariff, I. C. C. No. 3475.

TABLE 54.—Comparison of any-quantity classification ratings in Southern and Southwestern Territories as modified by exceptions thereto ¹

Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Southern Classification Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory			
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number		
300.....	6	300	6	50.....	16	100	1		
250.....	1	250	1			70	2		
200.....	4	200	1			57	2		
150.....	2	150	2			55	2		
100.....	13	100	11			50	8		
		70	1			40	1		
		50	1			63	1		
85.....	10	100	10			45.....	8	50	2
		100	8					45	2
70.....	16	70	7			40.....	1	85	1
		68½	1	70	1				
55.....	8	100	2	38.....	1				
		70	2						
		50	1						

¹ Based on Consolidated Classification No. 15 as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent E. H. Dulaney's Tariff, I. C. U. No. 86, and Agent J. R. Peel's Tariff, I. C. C. No. 3475.

TABLE 55.—Comparison of carload classification ratings in Western Trunk-Line and Southwestern Territories as modified by exceptions thereto ¹

Applicable rating, Western Trunk-Line Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Western Trunk-Line Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
200.....	1	200	1	55.....	1,841	55	116
125.....	17	125	1			50	4
		75	16			48	13
100.....	8	100	7			47	2
		75	1			46	1,651
85.....	18	85	17			45½	2
		75	1			45	9
75.....	676	100	1			44	1
		75	669			43	2
		72	1			42½	1
		65	2			42	2
		62	1			40	2
		57½	1			39½	1
		31	1			37½	7
		70	53			37	2
		60	7			36	1
		57½	1			35	2
70.....	80	46	20			33½	6
		45½	1			32½	4
		45	1			31½	1
		42	1	31	2		
		40	2	30	1		
67.....	1	45	1	27½	2		
65.....	3	65	3	20	5		
63.....	1	63	1	50.....	80	50	26
62.....	1	47½	1	48	41		
		60	1,079	46	2		
60.....	1,284	57½	154	40	2		
		48	1	47½	1		
		47	1	45	1		
		46	40	28	1		
		45	2	60	1		
		43	1	53	5		
		42	1	48	1		
		35	2	47	5		
		32½	2	46½	1		
		57½.....	1	57½	1		

Footnote at end of table.

TABLE 55.—Comparison of carload classification ratings in Western Trunk-Line and Southwestern Territories as modified by exceptions thereto¹—Continued

Applicable rating, Western Trunk-Line Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Western Trunk-Line Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory			
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number		
46.....	344	85	4	35.....	157	60	1		
		46	339					55	1
		29	1					46	1
		75	2					45	2
		55	1					37	18
		48	1					35	131
		46	2					33½	2
		45	1,423					32	1
		43	20					36½	2
		41	1			33½.....	11	33½	4
45.....	1,478	40	11			33	1		
		38	1			30	4		
		37½	1			70	11		
		37	3			46	2		
		36½	4			45	7		
		35	2			40	11		
		32½	1			37½	41		
		27½	2			32½	365		
		25	1			31	28		
		15½	2			30	2		
44.....	1	44	1	32½.....	487	29	1		
42½.....	84	42½	83			27½	1		
		39	1			20	2		
42.....	17	85	4			17½	2		
		42	13			17	9		
		55	2			16½	1		
41.....	136	41	15			13	3		
		39½	119			12	1		
		55	2	31.....	4	31	4		
		45	4			37½	2		
40.....	255	41	2			36½	2		
		40	246			35	1		
		35	1			32½	3		
38½.....	2	38½	2			30	365		
38.....	1	38	1			28	1		
		37½	2,121			27½	2		
		37	5			25	4		
		36½	1			24	1		
		35	12	30.....	414	22½	3		
		34½	1			20	7		
		33½	32			19	1		
		32½	13			18	2		
		31	1			17½	4		
		30	17			17	9		
		29½	3			16	1		
		29	18			15½	1		
		28½	1			14½	2		
		28	3			13	2		
37½.....	2,297	27½	11			12	1		
		26½	1	29½.....	8	29½	7		
		26	2			22½	1		
		25	18	28½.....	3	32	2		
		24	1			28½	1		
		23½	1			28	23		
		22½	4	28.....	31	26	2		
		21½	1			16	1		
		20	18			60	2		
		19	1			37½	2		
		17½	2	27½.....	28	30	1		
		17	6			29	3		
		16	2			27½	20		
		13½	1			35	2		
37.....	29	70	1			32	2		
		37	28	26½.....	10	27½	1		
36½.....	44	36½	11			26½	5		
		35	33			55	2		
		60	2			46	3		
		55	1			45	1		
		46	2	25.....	45	33	1		
36.....	29	37½	19			30	2		
		36½	2			25	32		
		36	1			24	4		
		33½	1	24½.....	23	24½	3		
		29½	1			23½	20		

Footnote at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 55.—Comparison of carload classification ratings in Western Trunk-Line and Southwestern Territories as modified by exceptions thereto¹—Continued

Applicable rating. Western Trunk- Line Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding rat- ings in Southw- estern Territory		Applicable rating. Western Trunk- Line Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding rat- ings in Southw- estern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
24.....	8	24	2	20 1/4.....	1	20 1/4	1
23 1/4.....	2	23	2			37 1/2	2
		23 1/4	2	20.....	80	29	1
		37 1/2	1			22 1/2	2
		38 1/2	1			20	80
23.....	9	20 1/2	1	19.....	8	17 1/2	1
		24 1/2	1			19	2
		23	2	18.....	10	18	9
		19	2			17 1/2	1
		13	1			22 1/2	1
		37 1/2	3			17 1/2	97
		33 1/2	1			17	16
		32 1/2	2			16	6
		23 1/2	2	17 1/2.....	144	15 1/2	19
22 1/4.....	161	22 1/2	133			15	2
		20	2			14	1
		18 1/2	1			11	1
		18	2			9	1
		17 1/2	8	16.....	2	16	2
		16	2	15 1/2.....	1	15 1/2	1
		12	2			15	4
		27 1/2	1	15.....	8	14 1/2	1
21 1/4.....	16	22 1/2	4			12	2
		21 1/2	10	12.....	2		
		18	1				

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions as published in Agent L. E. Kipp's Tariff, I. C. C. No. A-3333, and Agent J. R. Peel's Tariff, I. C. C. No. 3475.

TABLE 56.—Comparison of less-carload classification ratings in Western Trunk-Line and Southwestern Territories as modified by exceptions thereto ¹

Applicable rating, Western Trunk-Line Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory		Applicable rating, Western Trunk-Line Territory (percent of first class)	Number of commodity descriptions taking this rating	Corresponding ratings in Southwestern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
400-----	2	400	2	68-----	2	70	2
300-----	16	300	14			100	1
		70	2	63-----	11	63	3
250-----	20	250	18			50	7
		70	2			100	1
200-----	310	200	305			85	3
		70	4	60-----	16	70	7
		55	1			60	3
175-----	3	175	3			57	2
150-----	408	150	407	57-----	25	70	1
		55	1			57	24
125-----	53	125	53			100	2
110-----	12	110	12			85	2
		200	2			70	34
		125	1	55-----	1,932	57	2
100-----	1,811	100	1,762			55	1,858
		85	7			50	21
		70	35			35	3
		55	4			200	4
		200	1			150	6
		100	2			100	6
		85	2,024	50-----	160	85	4
85-----	2,094	75	1			70	5
		70	58			55	5
		57	1			50	130
		55	1	45-----	2	45	2
		50	6	42-----	2	42	2
		100	2			40	3
72-----	6	72	2	40-----	4	55	1
		55	2			35	17
		200	1	35-----	17		
		150	3				
		100	19				
70-----	3,161	85	45				
		70	3,039				
		57	1				
		55	41				
		50	11				
		35	1				

¹ Based on Consolidated Classification No. 15, as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent L. E. Kipp's Tariff, I. C. C. No. A-3333, and Agent J. R. Peel's Tariff, I. C. C. No. 3475.

INTERTERRITORIAL FREIGHT RATES

TABLE 57.—Comparison of any-quantity classification ratings in Western Trunk-Line and Southwestern Territories as modified by exceptions thereto¹

Applicable rating. Western Trunk- Line Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding rat- ings in Southwe- stern Territory		Applicable rating. Western Trunk- Line Territory (percent of first class)	Number of com- modity descrip- tions taking this rating	Corresponding rat- ings in Southwe- stern Territory	
		Ratings (percent of first class)	Number			Ratings (percent of first class)	Number
300.....	6	300	6			70	3
250.....	1	250	1			63	1
200.....	4	200	4	63.....	15	57	2
150.....	2	150	2			50	8
100.....	26	100	22			40	1
		70	2	57.....	4	50	2
		50	2			45	2
85.....	12	85	11	55.....	3	70	1
		70	1			55	2
70.....	5	70	5	50.....	1	50	1
68½.....	1	68½	1				

¹ Based on Consolidated Classification No. 15, as of Mar. 17, 1942, as modified by exceptions of general application in effect on that date as shown in Agent L. E. Klipp's Tariff, I. C. C. No. A-3333, and Agent J. R. Peel's Tariff, I. C. C. No. 3475.

TABLE 58.—Summary comparison of applicable ratings in the various rate territories¹

	Carload	Number of ratings		
		Less- carload	Any- quantity	Total
Southern compared with Official:				
Same in both territories.....	4,034	5,712	34	9,810
Higher in Southern than Official.....	4,315	295	9	4,619
Lower in Southern than Official.....	2,043	4,030	37	6,110
Total.....	10,392	10,067	80	20,539
Western Trunk-Line compared with Official:				
Same in both territories.....	2,229	7,864	52	10,145
Higher in Western Trunk-Line than Official.....	4,717	1,445	19	6,181
Lower in Western Trunk-Line than Official.....	3,446	758	9	4,213
Total.....	10,392	10,067	80	20,539
Southwestern compared with Official:				
Same in both territories.....	1,294	5,950	49	7,293
Higher in Southwestern than Official.....	3,949	1,372	14	5,335
Lower in Southwestern than Official.....	5,149	2,745	17	7,911
Total.....	10,392	10,067	80	20,539
Western Trunk-Line compared with Southern:				
Same in both territories.....	3,469	5,467	37	8,973
Higher in Western Trunk-Line than Southern.....	2,743	4,320	39	7,102
Lower in Western Trunk-Line than Southern.....	4,180	280	4	4,464
Total.....	10,392	10,067	80	20,539
Southwestern compared with Southern:				
Same in both territories.....	1,816	5,361	41	7,218
Higher in Southwestern than Southern.....	2,572	4,422	34	7,028
Lower in Southwestern than Southern.....	6,004	284	5	6,293
Total.....	10,392	10,067	80	20,539
Southwestern compared with Western Trunk-Line:				
Same in both territories.....	7,558	9,693	56	17,307
Higher in Southwestern than Western Trunk-Line.....	211	162	4	377
Lower in Southwestern than in Western Trunk-Line.....	2,623	212	20	2,855
Total.....	10,392	10,067	80	20,539

¹ Comparisons are in terms of percent of first-class.

Table 58 shows the extent to which applicable ratings are uniform in any two rate territories. It is noticeable that the number of commodity descriptions having the same ratings in any two territories is large. The table brings out the fact that there is a large number of less-carload ratings in the South which are lower than the Official Territory ratings. Of the carload ratings that are not uniform in Southern and Official Territories, more are higher in Southern than in Official Territory. In Western Trunk-Line Territory, there are more carload ratings and also more less-carload ratings higher than the Official Territory rating than there are lower than the Official Territory rating. In Southwestern Territory, there are more carload ratings and also more less-carload ratings lower than the Official Territory rating than there are higher than the Official Territory rating.

Tables 40 to 57 above showed the number of applicable ratings in percent of first-class in each territory, and the ratings for the corresponding items in another territory. From the data in these tables the various combinations of applicable ratings in one territory as compared with another, and the number of commodity descriptions for which this combination applies, can be determined. Thus, from table 40, which compares applicable carload ratings in Official and Southern classifications, it can be seen that 152 of the 166 commodity descriptions rated first-class in Official Territory are also rated first-class in Southern Territory. Therefore, there are 152 commodity descriptions carrying the combination of 100-100. There are 9 commodity descriptions carrying a rating of first-class in Official Territory and 85 percent of first-class in Southern Territory, so there are 9 commodity descriptions carrying the combination of 100-85. From these tables all existing combinations of applicable ratings in any two territories can be determined, with the number of times that the combination appears. If the percent of first-class applicable for Southern Territory in each of these combinations is multiplied by 1.39, the applicable Southern rating is converted into a percent of the Official Territory first-class rates. This percent can then be expressed as a percent of the corresponding rating in Official Classification Territory. The result is to translate differences in ratings in two territories into differences in average rate levels. In the computations which follow, the ratings in Official Territory are taken as the base, and the corresponding applicable ratings in the other territories are finally expressed as a percent of the Official Territory rates. The procedure followed is set forth in table 59, in which a few of the combinations of less-carload ratings in Official and Southern classifications are shown.

The applicable ratings in Southern, Western Trunk-Line zones I, II, III, and IV, and Southwestern Territories have been paired with the corresponding rating in Official Classification and expressed as a percent of the Official Territory level according to the method shown in table 59. The various percents of the Official Territory level are grouped and shown in tables 60 to 65. In interpreting these tables it should be remembered that when 100 is taken as a base, lower rates must be expressed by a percent which is between 1 and 100, while the rates which are higher than the base rate may be several hundred percent of the base rate. In table 60, for example, there is one item

on which the Southern level is about 30 percent of the Official Territory level. If the Southern rate were taken as a base, the Official Territory level on this commodity would be over 333 percent of the Southern level.

TABLE 59.—Method of converting differences in applicable ratings in Official and Southern Territories to differences in levels of the rates

Applicable ratings (percent of first-class)		Number of commodity descriptions taking combination of Official and Southern ratings shown in columns 1 and 2	Applicable ratings (percent of Official Territory first-class)		Percent Southern Territory rate level is of Official Territory level (col. 5 ÷ col. 4 × 100)
Official	Southern		Official (same as col. 1)	Southern (col. 2 × 1.39)	
(1)	(2)	(3)	(4)	(5)	(6)
400	400	2	400	556.00	139
100	125	1	100	173.75	174
100	100	1,014	100	139.00	139
100	50	4	100	69.50	70
85	100	2	85	139.00	164
85	85	796	85	118.15	139
85	70	1,282	85	97.30	114
85	40	2	85	55.60	65

TABLE 60.—Ratio of Southern rate level to Official Territory level on 20,539 commodity descriptions given classification or exceptions ratings

Percent Southern level is of Official	Number of ratings				Percent Southern level is of Official	Number of ratings			
	Total	Car-load	Less-car-load	Any-quantity		Total	Car-load	Less-car-load	Any-quantity
600 or over.....	6	6	6	6	90 to 99.....	911	93	806	12
500 to 599.....	7	1	6	6	80 to 89.....	226	154	72	4
400 to 499.....	1	1	1	1	70 to 79.....	154	44	109	2
300 to 399.....	14	3	11	1	60 to 69.....	30	9	19	1
250 to 299.....	36	25	9	1	50 to 59.....	25	8	17	4
200 to 249.....	219	194	25	1	40 to 49.....	8	4	4	1
175 to 199.....	540	466	73	1	30 to 39.....	1	1	1	1
150 to 174.....	2,166	2,012	151	3	Total.....	20,539	10,392	10,067	80
125 to 149.....	11,313	8,223	6,061	39					
100 to 124.....	2,882	1,154	2,710	18					

TABLE 61.—Ratio of Western Trunk-Line zone I rate level to Official Territory level on 20,539 commodity descriptions given classification or exceptions ratings

Percent Western Trunk-Line zone I level is of Official	Number of ratings				Percent Western Trunk-Line zone I level is of Official	Number of ratings			
	Carload	Less-carload	Any-quantity	Total		Carload	Less-carload	Any-quantity	Total
600 or over.....		2		2	90 to 99.....	330	138	2	470
500 to 599.....				1	80 to 89.....	130	83	2	185
400 to 499.....	1			1	70 to 79.....	47	19	1	66
300 to 399.....	1	6		7	60 to 69.....	37	15		53
250 to 299.....	23	11	1	35	50 to 59.....	36	1		37
200 to 249.....	119	13	2	139	40 to 49.....	6	3		9
175 to 199.....	322	233		555	30 to 39.....	1	1		2
150 to 174.....	719	313	1	1,033	Total.....	10,392	10,067	80	20,539
125 to 149.....	5,790	2,726	67	14,573					
100 to 124.....	2,840	528	4	3,372					

TABLE 62.—Ratio of Western Trunk-Line zone II rate level to Official Territory level on 20,539 commodity descriptions given classification or exceptions ratings

Percent Western Trunk-Line zone II level is of Official	Number of ratings				Percent Western Trunk-Line zone II level is of Official	Number of ratings			
	Carload	Less-carload	Any-quantity	Total		Carload	Less-carload	Any-quantity	Total
700 or over.....		2		2	100 to 124.....	337	600	3	1,440
600 to 699.....					80 to 99.....	126	53	2	181
500 to 599.....	1			1	80 to 89.....	45	18	1	64
400 to 499.....	1	1		2	70 to 79.....	35	8		43
300 to 399.....	7	11	1	19	60 to 69.....	32	9		41
250 to 299.....	37	16		53	50 to 59.....	12	3		15
200 to 249.....	320	240	2	562	40 to 49.....	1	1		2
175 to 199.....	729	253	1	1,013	Total.....	10,392	10,067	80	20,539
150 to 174.....	3,619	892	15	4,526					
125 to 149.....	4,590	7,930	55	12,575					

TABLE 63.—Ratio of Western Trunk-Line zone III rate level to Official Territory level on 20,539 commodity descriptions given classification or exceptions ratings

Percent Western Trunk-Line zone III level is of Official	Number of ratings				Percent Western Trunk-Line zone III level is of Official	Number of ratings			
	Carload	Less-carload	Any-quantity	Total		Carload	Less-carload	Any-quantity	Total
800 or over.....		2		2	125 to 149.....	2,385	507	3	2,895
700 to 799.....					100 to 124.....	460	191	4	655
600 to 699.....	1			1	90 to 99.....	41	2	1	44
500 to 599.....	1			1	80 to 89.....	41	24		65
400 to 499.....		5		5	70 to 79.....	27	9		36
300 to 399.....	27	12	1	40	60 to 69.....	15			15
250 to 299.....	116	18	2	136	50 to 59.....	2	3		5
200 to 249.....	625	446	1	1,072	40 to 49.....	1	1		2
175 to 199.....	2,604	926	3	3,433	Total.....	10,392	10,067	80	20,539
150 to 174.....	4,146	7,921	65	12,132					

TABLE 64.—Ratio of Western Trunk-Line zone IV rate level to Official Territory level on 20,539 commodity descriptions given classification or exceptions ratings

Percent Western Trunk-Line zone IV level is of Official	Number of ratings				Percent Western Trunk-Line zone IV level is of Official	Number of ratings			
	Carload	Less-carload	Any-quantity	Total		Carload	Less-carload	Any-quantity	Total
900 or over.....		2		2	125 to 149.....	518	363	2	883
800 to 899.....					100 to 124.....	170	69	3	242
700 to 799.....					90 to 99.....	34	8		42
600 to 699.....	1			1	80 to 89.....	27	9		36
500 to 599.....	1	4		5	70 to 79.....	12			12
400 to 499.....	2	2		4	60 to 69.....	5	3		8
300 to 399.....	90	28	3	121	50 to 59.....	1	1		2
250 to 299.....	367	237	1	604	40 to 49.....				
200 to 249.....	2,813	1,136	4	3,953	Total.....	10,392	10,067	80	20,539
175 to 199.....	3,709	7,921	65	11,695					
150 to 174.....	2,642	284	3	2,929					

TABLE 65.—Ratio of Southwestern rate level to Official Territory level on 20,539 commodity descriptions given classification or exceptions ratings

Percent Southwestern level is of Official	Number of ratings				Percent Southwestern level is of Official	Number of ratings			
	Car-load	Less-carload	Any-quantity	Total		Car-load	Less-carload	Any-quantity	Total
100 or over.....	1			1	90 to 99.....	87	7	0	94
300 to 300.....	2			2	80 to 89.....	40	27	2	69
300 to 300.....	10	10	1	21	70 to 79.....	32	5	0	37
250 to 250.....	88	32	1	91	60 to 69.....	22	1	1	24
200 to 200.....	526	368	2	896	50 to 59.....	3	7	0	10
175 to 100.....	1,925	929	5	2,859	40 to 49.....	1	4	0	5
150 to 174.....	2,139	6,000	55	8,203	30 to 39.....	0	2	0	2
125 to 149.....	2,969	2,444	11	5,414					
100 to 124.....	587	227	2	811	Total.....	10,392	10,067	80	20,539

Tables 66 to 71 further summarize the comparison of levels on particular commodities given classification or exceptions ratings.

TABLE 66.—Number of commodity descriptions on which applicable ratings, classification or exceptions, in Southern Territory indicate higher or lower rate levels than in Official Territory

	Carload	Less car-load	Any quantity	Total
Number of commodity descriptions on which Southern level exceeds Northern level by more than 39 percent ¹	4,315	296	9	4,619
Number on which Southern level exceeds Northern level by 39 percent.....	4,034	5,742	34	9,810
Number on which Southern level exceeds Northern level by less than 39 percent.....	1,717	3,006	19	4,741
Total number on which Southern level exceeds Northern level.....	10,066	9,042	62	19,170
Number on which Southern level is the same as Northern level.....	14			14
Number on which Southern level is less than Northern level.....	312	1,025	18	1,355
Total.....	10,392	10,067	80	20,539

¹ 39 percent represents the amount by which the first-class rates in the South exceed those in the North on the average, and expresses the difference in rate levels on commodities which are rated the same, in percent of first class, in both territories.

TABLE 67.—Number of commodity descriptions on which applicable ratings, classification or exceptions, in Western Trunk-Line Territory, zone I, indicate higher or lower rate levels than in Official Territory

	Carload	Less car-load	Any quantity	Total
Number of commodity descriptions on which Western Trunk-Line zone I level exceeds Official level by more than 28 percent ¹	4,717	1,445	19	6,181
Number on which Western Trunk-Line zone I level exceeds Official level by 28 percent.....	2,229	7,864	52	10,145
Number on which Western Trunk-Line zone I level exceeds Official level by less than 28 percent.....	2,805	528	4	3,337
Total number on which Western Trunk-Line zone I level exceeds Official level.....	9,751	9,837	75	19,663
Number on which Western Trunk-Line zone I level is the same as Official level.....	54			54
Number on which Western Trunk-Line zone I level is less than Official level.....	587	230	5	822
Total.....	10,392	10,067	80	20,539

¹ 28 percent represents the amount by which the first-class rates in Western Trunk-Line zone I exceeds those in Official Territory on the average, and expresses the difference in rate levels on commodities which are rated the same, in percent of first class, in both territories.

TABLE 68.—Number of commodity descriptions on which applicable ratings, classification or exceptions, in Western Trunk-Line Territory, zone II, indicate higher or lower rate levels than in Official Territory

	Carload	Less carload	Any quantity	Total
Number of commodity descriptions on which Western Trunk-Line zone II level exceeds Official level by more than 46 percent ¹	4,717	1,445	19	6,181
Number on which Western Trunk-Line zone II level exceeds Official level by 46 percent	2,229	7,864	52	10,145
Number on which Western Trunk-Line zone II level exceeds Official level by less than 46 percent	3,192	666	6	3,864
Total number on which Western Trunk-Line zone II level exceeds Official level	10,138	9,975	77	20,190
Number on which Western Trunk-Line zone II level is the same as Official level	3			3
Number on which Western Trunk-Line zone II level is less than Official level	251	92	3	346
Total	10,392	10,067	80	20,539

¹ 46 percent represents the amount by which the first-class rates in Western Trunk-Line zone II exceed those in Official Territory on the average, and expresses the difference in rate levels on commodities which are rated the same, in percent of first class, in both territories.

TABLE 69.—Number of commodity descriptions on which applicable ratings, classification or exceptions, in Western Trunk-Line Territory, zone III, indicate higher or lower rate levels than in Official Territory

	Carload	Less carload	Any quantity	Total
Number of commodity descriptions on which Western Trunk-Line zone III level exceeds Official level by more than 61 percent ¹	4,717	1,445	19	6,181
Number on which Western Trunk-Line zone III level exceeds Official level by 61 percent	2,229	7,864	52	10,145
Number on which Western Trunk-Line zone III level exceeds Official level by less than 61 percent	3,319	719	8	4,046
Total number on which Western Trunk-Line zone III level exceeds Official level	10,265	10,028	79	20,372
Number on which Western Trunk-Line zone III level is the same as Official level				
Number on which Western Trunk-Line zone III level is less than Official level	127	39	1	167
Total	10,392	10,067	80	20,539

¹ 61 percent represents the amount by which the first-class rates in Western Trunk-Line zone III exceed those in Official Territory on the average, and expresses the difference in rate levels on commodities which are rated the same, in percent of first class, in both territories.

TABLE 70.—Number of commodity descriptions on which applicable ratings, classification or exceptions, in Western Trunk-Line Territory, zone IV, indicate higher or lower rate levels than in Official Territory

	Carload	Less carload	Any quantity	Total
Number of commodity descriptions on which Western Trunk-Line zone IV level exceeds Official level by more than 84 percent ¹	4,717	1,445	19	6,181
Number on which Western Trunk-Line zone IV level exceeds Official level by 84 percent	2,229	7,864	52	10,145
Number on which Western Trunk-Line zone IV level exceeds Official level by less than 84 percent	3,364	737	9	4,110
Total number on which Western Trunk-Line zone IV level exceeds Official level	10,310	10,046	80	20,436
Number on which Western Trunk-Line zone IV level is the same as Official level	3			3
Number on which Western Trunk-Line zone IV level is less than Official level	79	21		100
Total	10,392	10,067	80	20,539

¹ 84 percent represents the amount by which the first-class rates in Western Trunk-Line zone IV exceed those in Official Territory on the average, and expresses the difference in rate levels on commodities which are rated the same, in percent of first class, in both territories.

TABLE 71.—Number of commodity descriptions on which applicable ratings, classification or exceptions, in Southwestern Territory indicate higher or lower rate levels than in Official Territory

	Carload	Less carload	Any quantity	Total
Number of commodity descriptions on which Southwestern level exceeds Official level by more than 61 percent ¹	3,949	1,372	14	5,335
Number on which Southwestern level exceeds Official level by 61 percent.....	1,294	5,950	49	7,293
Number on which Southwestern level exceeds Official level by less than 61 percent.....	4,959	2,692	14	7,665
Total number on which Southwestern level exceeds Official level.....	10,202	10,014	77	20,293
Number on which Southwestern level is the same as Official level.....	5			5
Number on which Southwestern level is less than Official level.....	185	53	3	241
Total.....	10,392	10,067	80	20,539

¹ 61 percent represents the amount by which the first-class rates in Southwestern Territory exceed those in Official Territory on the average, and expresses the difference in rate levels on commodities which are rated the same, in percent of first class, in both territories.

In interpreting tables 60 to 71 it must be kept in mind that the tables compare applicable ratings, that is, classification or exceptions ratings, whichever apply. The comparisons do not take into consideration commodity rates that exist on various articles. Commodity rates which may be in effect on some of the articles in one or more territories will modify the rate relationships shown to the extent that they apply.

In comparing levels of class rates in the various territories, it should be kept in mind that class rates in Official Territory have been designed to move much more traffic than in the other territories.⁴ In Southern and Western Territories, commodity rates are more freely given on commodities that move in substantial volume.

F. SUMMARY

The more important facts brought out in this chapter may now be summarized to advantage. First, there are substantial differences in the levels of first-class rates in the various rate territories. If the Official Territory level is taken as 100, the levels in the other territories are as follows: Southern, 139; Western Trunk-Line, 128, 146, 161, and 184, in zone I, II, III, and IV, respectively; Southwestern, 161; Mountain-Pacific, 166.

Second, the above relationships measure the relationship of rates on particular descriptions of traffic when the ratings in percent of first class are the same in the different territories. If the ratings on an article are different, the relationship in rates in two territories may be greater or less than the differences in first-class rates.

Third, more than half the classification ratings in any two of the freight classifications are the same, in percent of first class. The average relation of the ratings to first class is nearly the same in all territories except in Mountain-Pacific Territory, where the average relation to first class is slightly higher than elsewhere.

⁴ See *Southern Class Rate Investigation*, 109 I. C. C. 300, 303 (1926); *Eastern Class Rate Investigation*, 164 I. C. C. 314, 391 (1930); *State of Alabama v. New York Central R. R. Co.*, 235 I. C. C. 255, 265 (1939).

Fourth, with the exception of Mountain-Pacific Territory, exceptions to the classification which have more or less general application throughout the territory are found in large numbers. In Official Territory approximately 17 percent of the commodity descriptions in the classification have been given lower ratings by the exceptions. In Southern Territory, 31 percent; in Western Trunk-Line Territory, 26 percent; and in Southwestern Territory, 36 percent of the regular classification ratings have been thus modified.

Fifth, on articles given exceptions ratings the resulting reduction in rates below the rates which would otherwise have applied averaged 20.7 percent in Official Territory, 24.5 percent in Southern Territory; 21.7 percent in Western Trunk-Line Territory; and 21.5 percent in Southwestern Territory.

Sixth, it is estimated that more than two and a half times as much traffic moves on exceptions ratings as moves on the regular classification ratings.

Seventh, the effect of exceptions ratings is to reduce to some extent, but not greatly, the regional differences in class-rate levels. The relative levels of class rates, after differences in classification and exceptions ratings are taken into consideration, are as follows: Official Territory, 100; Southern Territory, 133; Western Trunk-Line, 127, 145, 160, and 183, in zones I, II, III, and IV, respectively; Southwestern Territory, 153.

Eighth, on large numbers of commodity descriptions the applicable ratings in percent of first class are the same in two or more territories. Where the ratings are the same, the relative rate levels in the commodity descriptions involved are measured by the relation of the first-class rates.

Ninth, there is a very wide range in the territorial levels of rates on particular articles, which is caused by differences in applicable ratings and differences in the levels of first-class rates. In all territories included in the analysis there are numerous commodity descriptions on which the regional differences in rate levels exceed the differences in first-class rates. There are also many commodity descriptions on which the differences in rate levels are less than the differences in first-class rates, and there are, in Southern, Western Trunk-Line, and Southwestern Territories, numerous commodity descriptions on which the rate levels are below the Official Territory level.

Tenth, in comparing levels of class rates it must be kept in mind that in all territories there are commodity rates which modify the comparative levels, as indicated by classification and exceptions ratings, to the extent that the commodity rates apply.

CHAPTER IV

INTRATERRITORIAL COMMODITY RATES

The preceding chapter dealt with the levels of class rates. This chapter is concerned with the levels of rates on commodities which move wholly or partly on commodity rates.

Commodity rates are of three types. First, there are commodity rates which are tied to the class rates, usually by being made a certain percent of first-class rates or of some class other than first. When published as a percent of first class these rates are commonly known as column rates. A second kind of commodity rates is composed of those which are built upon some systematic basis not related to the class rates but constituting a rate structure by themselves. These may be constructed according to a distance scale, on a group basis or on some other basis. Such rate structures are commonly characterized by one or more base rates and a system of differentials. The third type of commodity rate consists of special point-to-point rates built upon no systematic basis but adjusted to meet the needs of some particular shippers or communities or to meet some competitive condition.

Because commodity rates are constructed on so many different bases and levels and are of varying importance, it is virtually impossible to generalize about their levels. Comparisons of regional differences in commodity-rate levels, however, can be made on particular commodities.

In this chapter the rate structures applying on a limited number of commodities which move wholly or partly on commodity rates are described briefly, and a comparison is made of the rate levels in the different territories. Two objects have been kept in mind: first, to obtain a picture of the general basis of rates on the commodity in each territory; and, second, to measure the differences in their levels.

In choosing the commodities on which the rates were to be studied an effort was made to select those on which the rates were to some extent systematic and would lend themselves to comparisons on a regional basis. Since there has been some argument as to whether certain low-grade commodities are given lower rates in the South and West than in the North a number of low-grade commodities were selected. It would not be proper to attempt to average the commodity-rate levels shown herein, or to draw any conclusion about average commodity rate-levels in the different territories from the limited number of comparisons shown. It is believed, however, that the studies do provide a measure of the comparative levels of the rates on each commodity taken by itself, so far as the general basis applicable in each territory is concerned. From the study being made by the Board of the waybills on carload traffic terminating on 12 sample days in 1939 additional information can be obtained concerning relative levels of commodity rates in the several rate territories on traffic which actually moved.

A. BRICK AND OTHER CLAY PRODUCTS

Brick, tile, and other clay products move on relatively low commodity rates. The so-called Uniform Brick List, prescribed by the Interstate Commerce Commission in *National Paving Brick Manufacturers Association v. Alabama and Vicksburg Railway Company*, 68 I. C. C. 213 (1922), for general application throughout the United States east of the Rocky Mountains, lists the various kinds of brick and clay products which move under the brick rates. The list includes common brick, building or facing brick (except enameled), fire brick, paving brick, ground clay, ground shale, ground fire clay, hollow building tile, silo blocks, clay or shale conduits, and fire-proofing tile, and other clay products.

OFFICIAL TERRITORY

With relatively few exceptions, the rates on brick and other clay products in Eastern or Official Territory were prescribed by the Interstate Commerce Commission in the *National Paving Brick case*, mentioned above. Mileage rates for distances up to 150 miles were prescribed for application in Central and Trunk-Line Territories. The scale in Trunk-Line Territory averaged a little more than 15 percent higher than the Central Territory scale. For longer distances the rates were put on a group and differential basis. The Commission required rates on common brick on the basis of 80 percent of the rates applying on the Uniform Brick List. In a later case, *Eastern Brick Rates*, 218 I. C. C. 59 (1936), the latter requirement was removed, and common brick was given the same rates as applied on the Uniform Brick List, but paving brick was put on an 80-percent basis, with a minimum weight of 80,000 pounds as compared with 60,000 pounds on other brick. Although the Central and Trunk-Line scales were only prescribed for distances up to 150 miles, these scales have been voluntarily extended by the carriers up to 1,014 miles in Trunk-Line Territory and 1,029 miles in Central Freight Association Territory.

The scale prescribed by the Commission in the *National Brick case* for Central Territory was about 14.2 percent of the first-class rates; that prescribed for Trunk-Line Territory was about 16.2 percent of the first-class rates (218 I. C. C. 59, 79).

The group-rate adjustment on brick in Eastern Territory can be summarized as follows:

(1) From producing points in Illinois and Indiana, to Chicago and Milwaukee and points taking the same rates, Danville, Ill., is the base group, with rates from other origins in those States made differentials over or under the Danville group. The rate to Milwaukee was made 40 cents per ton higher than to Chicago under this adjustment.

(2) From Ohio and western Pennsylvania to Chicago, Canton, Ohio, is the base group, with rates from other origins differentially related thereto. To other destinations in Central Territory the rates are made with relation to the Canton-Chicago rate.

(3) On west-bound traffic from points east of the Susquehanna River, the New York-Chicago rate is used as a base, with rates from Philadelphia and Baltimore made fixed differentials thereunder. Rates from other points in the eastern portion of Trunk-Line Territory are either the same as from New York, Philadelphia, or Baltimore, or

are fixed percentages of the New York-Chicago rate. Rates from Boston, Mass., and from intermediate points in New England to Central Territory are on the New York basis.

(4) East-bound from western Pennsylvania, the Pittsburgh-New York rate is the base, with rates from other origin groups in that part of the State made differentials under the Pittsburgh rates. The rates from Pittsburgh to the Baltimore and Philadelphia groups are fixed differentials under New York, and to other destinations in Trunk-Line Territory the rates are made percentages of the Pittsburgh-New York rate.

The rates prescribed for the longer distances under the group adjustments tend to be higher than would be produced by the scales prescribed in Central and Trunk-Line Territories, if extended. The relatively higher rates for the longer distances seem to be based, in part at least, on the fact that it is the higher-grade product that moves the longer distances, while the lower-grade products tend to move relatively short distances. See *Cushwa and Sons v. Arcade and Attica Railroad Corporation*, 185 I. C. C. 280, 288 (1932).

SOUTHERN TERRITORY

Brick rates in the South are on a distance basis, with grouping on the same pattern as class rates. These rates resulted from the decision of the Commission in *Brick and Clay Products from, to, and between Points in Southern Territory*, 88 I. C. C. 543 (1924) modified, somewhat in *Brick and Clay Products in Southern Territory*, 245 I. C. C. 103 (1941). Arbitraries on short and weak lines, and for distances in the Florida Peninsula were permitted. On common brick the Commission prescribed rates on the basis of 80 percent of the basic scale.

The railroads in the South now publish a competitive scale of mileage rates on brick which is lower than the normal basis. These rates are substantially the same as prescribed by the Commission without the increases authorized in *Ex Parte 123*.¹ Specific point-to-point rates on a lower basis than prescribed by the Commission also exist in the South on various descriptions of brick. These lower point-to-point rates are usually subject to minimum weights higher than the normal minimum of 60,000 pounds.

WESTERN TRUNK-LINE TERRITORY

In Western Trunk-Line Territory rates on brick are on the basis of a distance scale. This scale was prescribed in *Mason City Brick and Tile Co. v. Director General*, 107 I. C. C. 702 (1926), for somewhat limited areas. The territorial application of this scale was broadened, in *Brick from Nebraska to Kansas and Missouri*, 213 I. C. C. 754 (1936), and in *Brick in Iowa, Nebraska and Minnesota*, 238 I. C. C.

¹Published in Agent F. D. Miller's I. C. C. No. 584, Supplement No. 1.

621 (1940). The Southwestern basis, which is substantially the same as the Western Trunk-Line scale, except as noted below, has been prescribed in other portions of Western Trunk-Line Territory. See *Brick from Nebraska to Kansas and Missouri, supra*, and *Fairchild Clay Products Co. v. Atchison, Topeka and Santa Fe Railway Co.*, 194 I. C. C. 401 (1933).

SOUTHWESTERN TERRITORY

For the Southwest a scale of rates on brick was prescribed by the Commission in *Southwestern Brick Cases*, 107 I. C. C. 681 (1926), 157 I. C. C. 467 (1929), 156 I. C. C. 191, (1929), 173 I. C. C. 570 (1931). The Southwestern brick scale, on other than common brick, is similar to the Western Trunk-Line scale, except that both a single-line and a joint-line scale up to 500 miles was prescribed for application within the Southwest. From certain Arkansas points to the lower Mississippi River crossings group rates are authorized based on the application of the scale for average distances from points in the groups. Rates on common brick in the Southwest, like those in the South, are made 80 percent of the basic scale for all distances. According to the Commission, the prescribed basis on brick in the Southwest averages a little less than 12 percent of the first-class rates. See 205 I. C. C. 282, 287 (1934).

MOUNTAIN-PACIFIC TERRITORY

A distance scale of limited application was prescribed on brick in Mountain-Pacific Territory in *Denver Fire Clay Co. v. Apache Railway Co.*, 192 I. C. C. 543 (1933). This scale is higher than the Southwestern scale. Grouping was permitted for distances in excess of 150 miles. It should be noted that the Uniform Brick List prescribed by the Commission in the *National Paving Brick case* was not prescribed for application in Mountain-Pacific Territory, but the carriers generally are observing substantially the same list.

SUMMARY

The levels of the various scales which have been prescribed for application on articles in the Uniform Brick List are shown in table 72. The scales compared include *Ex Parte 115* and *Ex Parte 123* increases, except in Southern Territory, where such increases were voluntarily removed by the carriers. A similar comparison of scales applicable on common brick is shown in table 73. It will be seen that on common brick, and on articles in the Uniform Brick List, the rates in Southern Territory are lower than in Central Freight Association Territory or any of the other territories. On common brick the rates in Southwestern Territory are also lower than the Central Territory rates and are lower than in any of the other territories except Southern.

TABLE 72.—*Relationships of intraterritorial mileage scales applicable on the uniform brick list, in carloads*¹

[Minimum weight 60,000 pounds except as explained in note 4]

[Central Freight Association Territory scale=100]

Central Freight Association ²	100
Trunk-Line ²	122
Southern ³	94
Southwestern: ⁴	
Single line.....	101
Joint line.....	104
Western Trunk-Line ⁵	102

¹ Based on the sum of the rates, including *Ex Parte 118* and *Ex Parte 123* increases, except Southern Territory, (see note 1), at each 25-mile interval up to 1,000 miles.² Prescribed in 68 I. C. C. 213 (1922) (see note 2).³ Prescribed in 88 I. C. C. 543 (1924) (see note 1).⁴ Prescribed in 107 I. C. C. 691 (1926).⁵ Prescribed in 107 I. C. C. 702 (1926) (see note 3).

NOTE 1. In order to meet highway competition the southern rail carriers, as authorized in 241 I. C. C. 450, voluntarily eliminated all authorized increases since the Commission's decision in 88 I. C. C. 543, for distances up to and including 340 miles. These rates beyond 340 miles up to 1,000 miles reflect the scale originally prescribed in 88 I. C. C. 543, including the increases authorized in *Ex Parte 118* and *Ex Parte 123*.

NOTE 2. The scale prescribed in 68 I. C. C. 213 for application within Trunk-Line and Central Freight Association Territories ended at 150 miles, but has since been voluntarily extended by the carriers to end at 1,014 and 1,029 miles, respectively.

NOTE 3. This scale as prescribed, ended at 800 miles, but for the purpose of this comparison has been extended at the rate of $\frac{1}{2}$ cent for each 25-mile block up to and including 1,000 miles.

NOTE 4. While the minimum weight of 60,000 pounds applies generally in connection with the scales reflected in this table throughout the several territories, the present tariffs provide for varying minimum weights in connection with specific point-to-point rates. A further exception is found in both the rates and minimum weight on paving brick. In *Eastern Brick Rates*, 218 I. C. C. 59, (1930), the rates on paving brick within Eastern Territory were made 80 percent of the uniform brick list rates and the minimum weight prescribed was 80,000 pounds.

TABLE 73.—*Relationships of intraterritorial mileage scales on common brick, in carloads*¹

[Minimum weight 60,000 pounds except as explained in note 4]

[Central Freight Association Territory scale=100]

Central Freight Association ²	100
Trunk-Line ²	122
Southern ³	75
Southwestern: ⁴	
Single line.....	81
Joint line.....	83
Western Trunk-Line ⁵	101

¹ Based on the sum of the rates, including *Ex Parte 118* and *Ex Parte 123* increases, except Southern Territory (see note 1), at each 25-mile interval up to 1,000 miles.² Prescribed in 68 I. C. C. 213 (1922) (see note 2).³ Prescribed in 88 I. C. C. 543 (1924), and 155 I. C. C. 730 (1929).⁴ Prescribed in 107 I. C. C. 681 (1926), and 173 I. C. C. 570 (1931).⁵ Prescribed in 107 I. C. C. 702 (1926) (see note 3).

NOTE 1. In order to meet highway competition the southern rail carriers, as authorized in 241 I. C. C. 450, voluntarily eliminated all authorized increases since the Commission's decision in 88 I. C. C. 543, for distances up to and including 340 miles. These rates beyond 340 miles up to 1,000 miles reflect the scale originally prescribed in 88 I. C. C. 543 and 155 I. C. C. 750, including the increases authorized in *Ex Parte 118* and *Ex Parte 123*.

NOTE 2. The scale, prescribed in 68 I. C. C. 213 for application within Trunk-Line and Central Freight Association Territories, ended at 150 miles, but has since been voluntarily extended by the carriers to end at 1,014 and 1,029 miles, respectively.

NOTE 3. This scale, as prescribed, ended at 800 miles, but for the purpose of this comparison has been extended at the rate of one-half cent for each 25-mile block up to and including 1,000 miles.

NOTE 4. While the minimum weight of 60,000 pounds applies generally in connection with the scales reflected in this table throughout the several territories, the present tariffs provide for varying minimum weights in connection with specific point-to-point rates.

B. CEMENT

The cement industry is characterized by the existence of plants in all rate territories with many of the larger companies owning plants in various parts of the country. As a result of this situation the preponderance of the traffic in cement moves comparatively short distances and the competition between different cement plants is very keen.

EASTERN TERRITORY

The rate structure on cement is not uniform throughout Eastern Territory, and it is necessary to consider separately the situation in Central Territory, Trunk-Line Territory, and New England.

The rates in Central Territory are based on a scale originally prescribed in *Atlas Portland Cement Co. v. Chicago, Burlington & Quincy Railroad Co.*, 81 I. C. C. 1 (1923), modified by subsequent general increases in rates. This is the lowest of the intraterritorial scales on cement. This scale also applies from Trunk-Line points in Maryland, Virginia, Pennsylvania, and New Jersey to Trunk-Line—Central Border Territory.

Within Trunk-Line Territory rates on cement are based on a scale commonly known as the 114 percent scale, since it was constructed on the basis of 114 percent of the Central Territory scale. This scale was approved in *Cement in Trunk-Line Territory*, 174 I. C. C. 224 (1931), and later approved for application from Trunk-Line to Central Territory in *Cement to Central Territory*, 216 I. C. C. 776 (1936), and from Central to Trunk-Line Territory in *Cement to Trunk-Line Territory*, 216 I. C. C. 757 (1936). This scale also applies from Trunk-Line Territory to the Trunk-Line—New England Border Territory.

Between points in Trunk-Line Territory which are in the border States of Maryland, Virginia, and West Virginia, the Southern basis of rates applies. This basis also applies from Central Territory to destinations in this border area.

Within New England the rates are constructed on the basis of a scale prescribed in *New England Cement Rates*, 155 I. C. C. 601 (1929), which is higher than the Trunk-Line scale. This basis is also used from mills in the Hudson (N. Y.) and Lehigh (Pa.-N. J.) districts to all of New England, with differentials to northern Maine.

SOUTHERN TERRITORY

The Southern cement scale was prescribed by the Commission in *Southern Cement Rates*, 132 I. C. C. 427 (1927). Arbitrariness were permitted to and from points in the Florida Peninsula, and also for short and weak lines. The Southern scale is higher than the Trunk-Line scale.

WESTERN TERRITORY

The term "Western Territory" is used here to denote the general area included in Western Trunk-Line Territory, but not having the same boundaries. In this area the Commission has set up three scales of cement rates, each applicable within a subdivision of the territory. These subareas are known as scale II, scale III, and scale IV territories. The general location of these territories is shown in figure 3. Originally, Illinois and a strip of Wisconsin from Milwaukee south was in the scale I territory. Illinois was later taken out of the Western Cement adjustment and a scale prescribed which became the Central Territory scale. Scale I rates were originally on substantially the level that prevailed in Central Territory. Scale II rates were 20 percent higher than scale I; scale III and scale IV rates were still higher, but not fixed percentages over the scale I rates. The higher rates in scale III and scale IV territories reflected differences in traffic density and other conditions.

The use of three cement scales for different parts of Western Territory made necessary some basis for constructing rates between points in different scale territories. Between scale II and scale III

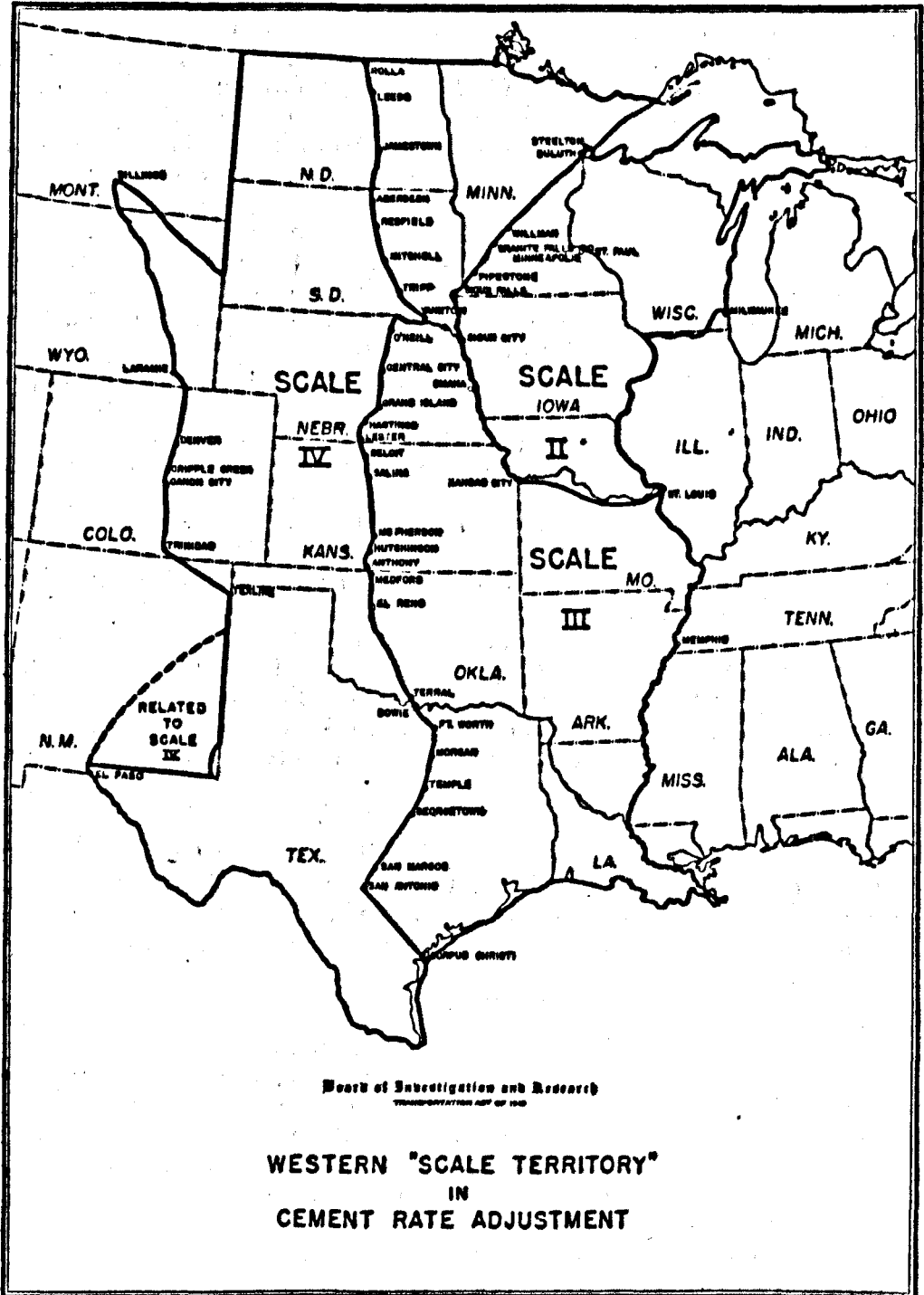


FIGURE 3

territories, scale III is used. Between points in scale II and points in scale IV territories another scale was prescribed, which is approximately the average of the two; and between scale III and scale IV

territories a scale is used which is approximately the average of scale III and scale IV. Key-point rates were prescribed to certain destinations in scale II territory which vary somewhat from the rates which would result from a strict application of the scales.

SOUTHWESTERN TERRITORY

In the Southwest rates are in harmony with the Western adjustment, as most of the Southwest is either in scale III or scale IV territory. Within Texas there is a truck-compelled scale, up to distances of 75 miles.

MOUNTAIN-PACIFIC TERRITORY

In this area there is no Commission-made rate structure on cement comparable to that in so-called scale territory described above. In a number of cases the Commission has refused to extend scale IV into Mountain-Pacific Territory, but has permitted higher rates. See *Oklahoma Portland Cement Co. v. Missouri-Kansas-Texas Railroad Co. of Texas*, 160 I. C. C. 449, 454 (1929); *Colorado Portland Cement Co. v. Atchison, Topeka & Santa Fe Railway Co.*, 182 I. C. C. 483 (1932).

Production points on the Pacific coast supply cement to much of the Mountain-Pacific area. For the most part these rates are on a group basis, with both origin and destination groups. The rates are largely on a voluntary basis, i. e., they have not been prescribed by the Commission. Rates in a north and south direction from Pacific coast producing points are influenced by water competition.

SUMMARY

With the exception of the rates in Mountain-Pacific Territory, cement rates are built largely on a distance basis. The prescribed scales are closely adhered to with the exception of a certain amount of grouping, and the existence of key-point rates not based exactly on distance scales, and with the further exception of some truck competitive rates for short distances. Comparative levels of cement rates in the various territories are shown in table 74.

TABLE 74.—Relationships of intraterritorial mileage scales on cement, in carloads ¹

[Minimum weight 50,000 pounds]

[Central Freight Association Territory scale=100]

Central Freight Association ² -----	100
Trunk-Line ³ -----	114
New England ⁴ -----	125
Southern ⁵ -----	117
Western Territory: ⁶	
Scale II-----	106
Scale III ⁷ -----	121
Scale IV-----	146
Between—	
Scale II and scale IV territory-----	124
Scale III and scale IV territory-----	134

¹ Based on the sum of the rates, not including *Ex Parte 115* or *Ex Parte 123* increases, at each 25-mile interval up to 700 miles.

² Prescribed in 81 I. C. C. 1.

³ Approved in 216 I. C. C. 757.

⁴ Prescribed in 155 I. C. C. 601.

⁵ Prescribed in 132 I. C. C. 427.

⁶ Prescribed in 69 I. C. C. 644, and 128 I. C. C. 63.

⁷ Also applies between scale II and scale III territories.

C. COKE

OFFICIAL TERRITORY

There are three prescribed scales of rates on coke that apply in various parts of Official Territory. The lowest of these scales was prescribed for application in Central and Illinois Territories² in *Coke Between Points in Central and Illinois Territories*, 194 I. C. C. 640, 689, 690 (1933). From points in Central and Illinois Territories to zone C in Michigan and to points in extended zone C in Wisconsin, a scale was prescribed in the same case which averages between 9 and 10 percent higher than the Central Territory scale.

The third of the prescribed coke scales was prescribed from Seaboard (Kearney), N. J., to points in New England in *Seaboard By-Product Coke Co. v. Director General*, 62 I. C. C. 317 (1921). In *Hudson Valley Coke and Products Corp. v. New York, New Haven and Hartford R. R. Co.*, 129 I. C. C. 472 (1927), the same scale was prescribed from Troy, N. Y., to various destinations in New England.

SOUTHERN TERRITORY

There has been no scale of rates on coke prescribed by the Commission for application in Southern Territory. In *Coke from Alabama and Tennessee to Central Territory*, 215 I. C. C. 384, 385 (1936), the Commission pointed out that the rates from Chattanooga, Tenn., Birmingham, Ala., and Wise County, Va., to Southern destinations, were in some instances slightly lower, and in others slightly higher, than they would be if made on the scale that applies in Central Territory, and that from Chattanooga and Birmingham combined to all destinations having a population of 5,000 or more they averaged the same as if they were made on the Central Territory basis.

WESTERN TRUNK-LINE TERRITORY

In *Indiana Coke & Gas Co. v. Ahnapee & Western Ry. Co.*, 155 I. C. C. 70 (1929), the Commission prescribed a scale of rates for application from certain points in Indiana and Illinois to points in zone I of Western Trunk-Line Territory. Although the origins in this case were points in Central and Illinois Territories, rates are constructed on this scale from border points such as St. Louis, Mo., Granite City, and East St. Louis, Ill. This scale, known as the Western Trunk-Line scale, averages about 9 percent higher than the Central Territory scale. To points beyond zone I a scale of arbitraries was prescribed in the *Indiana case*.

SUMMARY

Three different levels of coke rates have been prescribed for application in various parts of Official Territory. The Central Territory basis is the lowest. No scales have been prescribed for application within Southern Territory, but it is generally recognized that the coke rates in the South are on about the same level as the Central Territory rates. Comparative rate levels are shown in table 75.

² Illinois Territory includes the State of Illinois, the southern portion of Wisconsin, and west-bank Mississippi River crossings in Iowa and Missouri.

TABLE 75.—Relationships of rate levels on coke, in carloads ¹

[Central Territory scale=100]	
Central ² -----	100
Central, zone c, and extended zone, c ² -----	109
Trunk-Line—New England ³ -----	119
Southern ⁴ -----	100
Western Trunk-Line ⁵ -----	109

¹ Based on relationship of rates for each 25-mile interval up to 500 miles, except comparison of Southern level which is based on statement of Interstate Commerce Commission in 215 I. C. C. 384, 385. Do not include *Er Parte 123* increases.

² Prescribed in 194 I. C. C. 640.

³ Prescribed in 62 I. C. C. 317, from Seaboard, N. J., to New England points, and in 129 I. C. C. 472, from Troy, N. Y. Minimum weight 40,000 pounds or actual weight when cars are loaded to cubic or visible capacity.

⁴ Based on Commission's statement in 215 I. C. C. 384, 385.

⁵ Basis prescribed in 155 I. C. C. 70.

D. COTTON TEXTILES

Cotton textiles are of many kinds and grades but for rate-making purposes have been commonly grouped into three different groups. These are dry goods, finished cotton piece goods, and unfinished cotton piece goods or "grey goods." Rates on cotton textiles are, for the most part, any-quantity rates. Within Official Territory cotton textiles have long been on a classification or exceptions basis, but in the South on a commodity-rate basis.

In I. & S. Docket No. 3636, *Cotton, Woolen and Knitting Factory Products*, 211 I. C. C. 692 (1935), 220 I. C. C. 189 (1937), 220 I. C. C. 745 (1937), referred to herein as the *Cotton Textiles case*, the Commission prescribed reasonable maximum bases for rates on cotton textile products throughout the United States east of the Rocky Mountains. Rates lower than the prescribed bases have in many instances been published by the carriers. This case has been reopened and is now pending.

OFFICIAL TERRITORY

In the *Cotton Textiles case* the Commission prescribed maximum reasonable rates of first class on dry goods, 63 percent of first class on finished goods, and 90 percent of the finished goods rates, or 57 percent of first class, on unfinished goods, in Official Territory. The carriers published rates on these bases except that 60 percent instead of 63 percent was published to apply on finished goods, between points in Trunk-Line and New England Territories. Special treatment has also been accorded certain articles included in the dry goods list and known as flat goods, in order to meet the competition of other transportation agencies. Flat goods include such articles as towels, sheets, pillowcases, bedspreads, and cotton blankets. Rates on these articles were made 5 cents over those on finished piece goods.

SOUTHERN TERRITORY

In the *Cotton Textiles case* the Commission prescribed first class on dry goods, 50 percent of first class on finished cotton piece goods, and 45 percent of first class on unfinished goods as maximum reasonable rates within the South. The carriers, however, chose to publish third class, or 70 percent of first class on dry goods, and also to give special treatment to flat goods by making the rates 5 cents over the finished goods rate.

WESTERN TRUNK-LINE TERRITORY

Dry goods in Western Trunk-Line Territory are given a rating of 70 percent of first class by exceptions to the classification. In the *Cotton Textiles case* the Commission prescribed rates on finished cotton piece goods not exceeding 90 percent of third class, and on unfinished goods the rates were not to exceed 90 percent of the rates on finished goods. The carriers have voluntarily established class 50 on finished goods, and class 45 on unfinished goods, by means of exceptions to the classification.

SOUTHWESTERN TERRITORY

In Southwestern Territory, exceptions to the classification carry two ratings on dry goods, class 70 and class 78. The class 78 has a somewhat different territorial application but carries a note to the effect that it does not apply to traffic on which a class 70 rating is provided. This makes the class 70 rating of more general application.

The rates on finished cotton piece goods and on unfinished cotton piece goods in the Southwest were covered by the finding in the *Cotton Textiles case*, that the rates on finished goods should not exceed 90 percent of third class, and on unfinished goods should not exceed 90 percent of the finished goods rates. By exceptions to the classification the carriers have voluntarily established class 50 and class 45 on finished goods, and unfinished goods, respectively.

SUMMARY

Rates on dry goods are on a classification basis or exceptions basis in all territories. Rates on finished cotton piece goods and on unfinished cotton piece goods are tied to the class rates in all territories, although published as commodity rates or classification exceptions.

The relative levels of the rates on dry goods, finished cotton piece goods, and unfinished cotton piece goods are shown in table 76.

TABLE 76.—Relationships of intraterritorial rates on cotton textiles, any quantity
[Central Territory level=100]

Territory	Dry goods	Cotton piece goods	
		Finished	Unfinished
Central.....	100	100	100
Trunk-Line and New England.....	100	95	100
Southern.....	97	110	110
Western Trunk-Line:			
Zone I.....	90	102	101
Zone II.....	102	116	115
Zone III.....	113	128	127
Zone IV.....	129	146	145
Southwestern.....	113	128	127

E. COTTONSEED OIL

Cottonseed oil is used principally in the manufacture of lard substitutes, lard compounds, and oleomargarine. Cottonseed oil is shipped to refineries in tank cars, but from 30 to 40 percent of that shipped from refineries is shipped in containers in box cars.

Cottonseed-oil rates were made the subject of a general rate investigation under the Hoch-Smith resolution, as Docket 17000, part 8, *Cottonseed, Its Products and Related Articles*, 188 I. C. C. 605 (1932).

Maximum reasonable rates on cottonseed oil were prescribed in the above proceeding as follows:

Official Territory, 30 percent of first class.

Southern, Southwestern, Western Trunk-Line, 25 percent of first class.

Mountain-Pacific, 115 percent of the basis prescribed for Southwestern Territory.

Western Trunk-Line Territory, as the term is used above, corresponds generally to the boundaries of that territory in the *Western Class Rates case*, and not to the boundaries shown in our map of class-rate territories. The Southwestern basis of 25 percent of first class applies to the originally prescribed class-rate scale, not to the scale now in effect. Reasonable grouping was permitted in applying these rates, and permission was granted to short or weak lines to add arbitraries.

The relative levels of these scales are shown in table 77.

TABLE 77.—*Relationships of intraterritorial cottonseed oil scales*¹

[Minimum weight, 30,000 pounds in box cars; 60,000 pounds in tank cars²

[Eastern Territory scale=100]

Eastern ³	100
Southern ⁴	117
Southwestern ⁵	129
Western Trunk-Line: ⁶	
Zone I	107
Zone II	122
Zone III	134
Mountain-Pacific ⁷	148

¹ Based on the sum of the rates, not including *Ex Parte 115* or *Ex Parte 123* increases, at each 25-mile interval up to 900 miles. Rate bases prescribed in Docket 17000, pt. 8, *Cottonseed, Its Products and Related Articles*, 188 I. C. C. 605 (1932).

² In tank cars, actual weight if loaded to 98 percent of shell capacity.

³ Based on 30 percent of the Eastern first-class rates.

⁴ Based on 25 percent of the Southern first-class rates.

⁵ Based on 25 percent of the first-class rates originally prescribed in *Consolidated Southwestern Cases*.

⁶ Based on 25 percent of the first-class rates.

⁷ Based on 115 percent of the rates prescribed within Southwestern Territory.

F. FERTILIZER AND FERTILIZER MATERIALS

Commercial fertilizer and the various ingredients which go into its manufacture generally move at the same rates. Of the 1937 consumption of commercial fertilizer over 60 percent was in the South and approximately 30 percent in Official Territory, leaving a consumption of less than 10 percent for the remainder of the United States (232 I. C. C. 301, 304). Fertilizer and fertilizer materials are considered low-grade traffic and are given very favorable rates.

OFFICIAL TERRITORY

In Central Territory rates on fertilizer and materials resulted from the decision of the Commission in *Fertilizer in Central Territory*, 237 I. C. C. 399 (1940). The carriers were authorized to put the rates on the basis of a scale prescribed earlier in *Ohio Farm Bureau Federa-*

tion v. *Atnapes and Western Railroad Co.*, 146 I. C. C. 419 (1928), plus 10 percent. The carload minimum weight under this scale is 40,000 pounds.

In Trunk-Line Territory and in New England the rates are on the basis of 22.5 percent of first class subject to a minimum carload weight of 40,000 pounds. This basis was prescribed in *Eastern Fertilizer Cases*, 198 I. C. C. 483 (1934), 203 I. C. C. 787 (1934), for application between points in Trunk-Line Territory between points in New England, and between the territories. It is also applied between points in Trunk-Line and New England Territories, on the one hand, and points in Central Territory, on the other. Some lower rates have been established in Official Territory to meet motortruck competition.

SOUTHERN TERRITORY

A scale of carload rates on fertilizer and fertilizer materials was prescribed by the Commission in *Fertilizer and Fertilizer Materials between Southern Points*, 113 I. C. C. 389 (1926), 123 I. C. C. 193 (1927), 129 I. C. C. 215 (1927). A significant feature of this case was that no arbitraries were authorized for the hauls in the Florida peninsula. Arbitrarities were authorized, however, for certain weak and short lines, but many of these have been given up voluntarily in order to meet motortruck competition. Groups of moderate extent were authorized.

In 1939 the carriers put into effect a reduced carload scale of rates for the purpose of meeting motortruck competition. The minimum carload weight under this scale was 60,000 pounds, while under the normal scale it was 40,000 pounds. For distances of 380 miles and less these rates are lower than were prescribed by the Commission; for distances beyond 380 miles they are the same as prescribed by the Commission without *Ex Parte 123* increases.

WESTERN TRUNK-LINE TERRITORY

In this area the general basis of rates on mixed fertilizers and materials, in carloads, is 17½ percent of first class, minimum weight 30,000 pounds. These rates seem to have been voluntarily established by the carriers.

SOUTHWESTERN TERRITORY

In the Southwest rates on fertilizer and fertilizer materials are related to the class rates, but to those prescribed in the original decision in *Consolidated Southwestern Cases*, 123 I. C. C. 203 (1927), and not to the present class rates.

The rates on fertilizer are 16 percent of first-class, minimum weight 30,000 pounds. The same basis is found on numerous low-grade fertilizer materials, subject to minimum weights ranging from 30,000 to 50,000 pounds. On nitrate of soda the rates are 17½ percent of first class, minimum weight 30,000 pounds. The same basis is applied to numerous high-grade fertilizer materials, subject to various minimum weights.

SUMMARY

Carload rates on fertilizer and fertilizer materials move intraterritorially on rates which conform closely to distance scales prescribed by the Commission, or, in Southern Territory, to a voluntarily established scale. The comparative levels of the rates under the various scales are shown in table 78. It will be observed that the Southern prescribed scale is higher than the Central Territory scale, but that the voluntary scale published in the South is lower than the Central Territory scale.

TABLE 78.—Relationships of intraterritorial mileage scales on fertilizer and fertilizer materials, in carloads ¹

[Central Territory scale=100]

Central ²	100.
Trunk-Line ³	110
Southern (prescribed) ⁴	109
Southern (voluntary) ⁵	93
Southwestern: ⁶	
Fertilizer and low-grade materials ⁷	121
Nitrate of soda and high-grade materials ⁸	132
Western Trunk-Line: ⁹	
Zone I.....	109
Zone II.....	124
Zone III.....	137

¹ Based on the sum of the rates, including *Ex Parte 123* increases, for each 25 miles up to 900 miles.

² Prescribed in 237 I. C. C. 399; minimum weight 40,000 pounds.

³ Prescribed in 198 I. C. C. 483, as 22.5 percent of first class; minimum weight, 40,000 pounds.

⁴ Prescribed in 113 I. C. C. 389; minimum weight, 40,000 pounds.

⁵ Made by carriers to meet motortruck competition; minimum weight, 60,000 pounds.

⁶ Prescribed in 123 I. C. C. 203, 464, 477; minimum weights, 30,000 to 50,000 pounds depending on material.

⁷ Basis is 16 percent of first class.

⁸ Basis is 17.5 percent of first class.

⁹ Carriers' basis, 17.5 percent of first class; minimum weights, 30,000 pounds.

G. FRESH MEATS AND PACKING-HOUSE PRODUCTS

Fresh meats and packing-house products are generic terms used in tariff parlance to denote two different groups of commodities. The term "fresh meats," in addition to the products ordinarily covered by that term, includes leaf lard (not rendered) and a number of other products. The term "packing-house products" includes a long list of articles such as sausage casings; grease; lard and lard compounds; cooked, cured, or preserved meats; cooked, cured, or preserved sausage; stearine; and tallow. These commodity descriptions are not uniform in all tariffs. The packing-house products list, furthermore, does not usually include canned meats; nor does it include fertilizer, hides, pelts, and certain other commodities which are shipped from packing plants.

More than 80 percent of the tonnage of fresh meats and packing-house products originated by the railroads in 1941 had their origin in Western Trunk-Line and Southwestern Territories and in the State of Illinois.

OFFICIAL TERRITORY

On fresh meats, carload rates from Central Territory producing points to destinations in Trunk-Line and New England Territories are built around the Chicago-New York rate prescribed in *Morrell & Co. v. New York Central R. R. Co.*, 104 I. C. C. 104 (1925). The rate

originally prescribed was 79 cents. *Ex Parte 115* increases made the rate 83 cents, which is the present rate. Percentages of the Chicago-New York rate were fixed in the *Morrell case* for making rates from other shipping points in Central Territory to New York. From the Mississippi River, rates were made 8 cents over the Chicago rate in the second *Morrell case*, 120 I. C. C. 537 (1927). From Madison, Wis., to points in Trunk-Line and New England Territories the rates are 5 cents higher than from Chicago. To Trunk-Line destinations other than New York, and to points in New England, the rates from Central Territory are differentials over or under the rate to New York.

Within Central Territory the rates on fresh meats to the larger consuming points were established by the carriers. These rates bear no direct relationship to first-class rates. It was stated, however, in *Meats and Packing-House Products from Chicago to C. F. A. Territory*, 237 I. C. C. 525 (1940), that the rates on fresh meats from Chicago to Central Territory points averaged 46.6 percent of the first-class rates. From Madison, Wis., to the principal destinations in Central Territory specific rates were prescribed in *Oscar Mayer & Co. v. Baltimore & Ohio R. R. Co.*, 235 I. C. C. 451 (1939).

From Chicago to Central Freight Association Territory points as far east as Cleveland, Akron, and Canton, Ohio, the carriers established truck-compelled rates, averaging about 29 percent of the first-class rates, following the Commission's decision in *Meats & Packing-House Products from Chicago to C. F. A. Territory*, supra. These rates, however, have a limited application on articles in the fresh-meats list and do not apply on carcass beef, or on whole or part animals, shipped suspended from hooks or racks in refrigerator cars. The truck-compelled rates are subject to a carload minimum weight of 30,000 pounds instead of the customary 21,000 pounds.

Commodity rates on fresh meats are published within Trunk-Line and New England Territories from producing points in those areas, and also from points in Trunk-Line Territory to New England.

Class 70-K is the basis provided by exceptions to the Official Classification for application on fresh meats, in carloads, between points where no commodity rates are published. Class 70-K is 70 percent of the first-class rates in effect prior to the *Ex Parte 123* increases, i. e., March 27, 1938, plus 5 percent.

Table I of appendix K shows 142 commodity rates on fresh meats within Official Territory for various distances and their relation to first-class rates for the same distances under the Eastern scale of first-class rates. The average relation of these rates to first class is 50 percent. This figure—50 percent of the first-class rates under the Eastern scale—will be taken as the measure of the level of commodity rates on fresh meats in Official Territory for the purpose of comparing intraterritorial rate levels.

On packing-house products the usual basis within Official Territory, prior to *Ex Parte 123*, was fifth class, or 35 percent of first-class. This basis was held not unreasonable in the first *Morrell case*. As a result of *Ex Parte 123* the basis became class 37.5-L.³

³ Class 37.5-L is class 35 in-effect prior to the *Ex Parte 123* increases, i. e., March 27, 1938, increased 5 percent observing class 37.5 in effect prior to the *Ex Parte 123* increases as a minimum.

SOUTHERN TERRITORY

In *Fresh Meats and Packing-House Products to, from, and between Points in Southern Territory*, 191 I. C. C. 257 (1933), the Commission found class 47.5 a reasonable basis of rates within the South on fresh meats, and class 35 on packing-house products, except to or from the Florida Peninsula where special arbitraries were provided. The present rating of class 50-M⁴ reflects the general rate increases approved in *Ex Parte 115*. Packing-house products within the South are class 37.5-M,⁵ and reflect increases authorized in *Ex Parte 115*.

Within Southern Territory, commodity rates on both fresh meats and packing-house products are published quite extensively from the principal producing points, but except where these rates are truck-compelled they generally reflect the general basis. On packing-house products, even the truck-compelled rates are frequently on the general basis, but on fresh meats the truck-compelled rates are lower than the exceptions basis since they are usually equalized with the packing-house products rates. The truck-compelled rates, however, are subject to lower minimum weights.

WESTERN TRUNK-LINE TERRITORY

Class 67 is the present classification exceptions basis on fresh meats, carload minimum weight 21,000 pounds, in Western Trunk-Line Territory. Class 36 is the exceptions rating on packing-house products, minimum weight, 30,000 pounds.

Where there is a carload movement from packing-house centers, lower commodity rates on both fresh meats and packing-house products are published which reflect competitive adjustments from the different producing points. Table II of appendix K compares 103 commodity rates on fresh meats between points in Western Trunk-Line Territory and rates for the same distances on the basis of 50 percent of the Eastern scale of first-class rates—the average level of commodity rates on fresh meats in Official Territory. The average relation of the 103 commodity rates to 50 percent of the Eastern first-class rates is 99 percent. The rates for the shorter distances, however, tend to be substantially lower than the Eastern basis. Thus the average relation of the rates shown in table II of appendix K for distances up to 500 miles is 84 percent of the Eastern level. For distances of from 501 to 674 miles the rates shown in table II average 133 percent of the Eastern basis. These averages may not give a true picture of the average rate levels in Western Trunk-Line Territory since the wide range in rates for hauls of similar lengths weakens the significance of the average of even a large number of rates.

On packing-house products, 74 commodity rates between Western Trunk-Line points are shown in table III of appendix K. These rates average 131 percent of the Official Territory level.

⁴ Class 50-M is class 50 in effect prior to the *Ex Parte 123* increases, i. e., March 27, 1933. These rates are approximately 45.5 percent of the present first-class rates.

⁵ Class 37.5-M is class 37.5 in effect on March 27, 1938, or approximately 34 percent of the present first-class rates.

SOUTHWESTERN TERRITORY

Carload rates on both fresh meats and packing-house products within the Southwest are made on scales found reasonable by the Commission in *Meats and Packing-House Products to, from, and between Southwestern and Western Trunk-Line Points*, 136 I. C. C. 651 (1928), 156 I. C. C. 299 (1929). Both single-line and joint-line scales were provided. Arbitrariness were established for hauls in Texas-New Mexico differential territory, but these have subsequently been removed. By a number of supplemental reports in that proceeding departure from the scale rates has been approved from Kansas City and St. Louis to specific destinations in the Southwest because of truck competition. The Southwestern levels on both fresh meats and packing-house products are substantially higher than the Official Territory levels.

MOUNTAIN-PACIFIC TERRITORY

There is no general prescribed basis of rates on fresh meats and packing-house products in Mountain-Pacific Territory. The rates in that territory are on no consistent basis, and the range in rates for similar distances is very great. Many of the rates reflect motor-carrier competition, or adjustments from competing producing points to common markets.

In the southern portion of Mountain-Pacific Territory a scale of rates on fresh meats and packing-house products was prescribed from Cactus, Ariz., to Arizona, New Mexico, and Texas points, in *Arizona Packing Co. v. Arizona Eastern R. R. Co.*, 81 I. C. C. 115 (1923). This scale, commonly known as the Cactus scale, was later revised and prescribed from El Paso, Tex., to Arizona and New Mexico. See *Peyton Packing Co. v. Arizona Eastern R. R. Co.*, 100 I. C. C. 4 (1925), 118 I. C. C. 452 (1926), 132 I. C. C. 149 (1927). Prior to the general increases in 1937-38, the Cactus scale averaged approximately 25 percent higher than the Southwestern approved scale on fresh meats, and 26 percent on packing-house products.

Rates in the southern part of Mountain-Pacific Territory are, for the most part, lower than rates under the Cactus scale. The orders of the Commission in the cases which prescribed the Cactus scale were vacated in 1938.

Table IV in appendix K shows commodity rates in Mountain-Pacific Territory on fresh meats. The fresh-meats rates are compared with rates on the basis of 50 percent of first class under the Eastern scale, which is the average relation to first class of the 142 commodity rates in that territory shown in table I of appendix K. In a few instances the Mountain-Pacific rates are lower than rates under the Eastern basis. In most cases, however, they are higher than rates under the Eastern level, and the range in relationships is very great. The average relationship of the 57 rates shown in table IV of appendix K is 137 percent of the Eastern level.

Table V of appendix K shows 58 commodity rates on packing-house products between points in Mountain-Pacific Territory and compares the rates for the same distances on the basis of class 37.5-L under the Eastern scale. The average relation of the commodity rates to rates on the Eastern basis is 162 percent. The range in the relationship of individual rates to the Eastern basis is great, and weakens the significance of the average.

SUMMARY

Comparison of intraterritorial rate levels on fresh meats is difficult because of the existence of commodity rates within Official, Western Trunk-Line, and Mountain-Pacific Territories which are not constructed on any scale nor consistently related to first-class rates. The Western Trunk-Line level, however, for hauls of less than 500 miles, is the lowest, and the Mountain-Pacific level is the highest. The Southern and Southwestern levels are higher than the Official Territory level but in both of the former there are truck-compelled rates which are lower than the general basis.

The lowest basis of carload rates on packing-house products is in Official Territory. The Western Trunk-Line level is about 31 percent higher than the Official Territory level, but the levels in the other territories range from 138 percent of the Official Territory level in the South to 162 percent in Mountain-Pacific Territory.

Comparative levels are shown in more detail in tables 79 and 80.

TABLE 79.—Relationships of intraterritorial rate levels on fresh meats, in carloads

[Minimum weight 21,000 pounds]

[Official Territory = 100]

Official ¹	100
Southern ²	126
Western Trunk-Line: ³	
Distances from 51 to 500 miles.....	84
Distances from 501 to 674 miles.....	133
Distances from 51 to 674 miles.....	99
Southwestern: ⁴	
Single line.....	127
Joint line.....	129
Mountain-Pacific ⁵	137

¹ 50 percent of appendix E first-class rates, which is the average relation of the commodity rates shown in table I of appendix K.

² Class 50-M, originally class 47.5, approved in 191 I. C. C. 257, 302 and subsequently increased as a result of general increases of 1937-38, compared with 50 percent of appendix E first-class rates for each 25 miles up to 1,000 miles.

³ Average relation of rates shown in table II of appendix K to 50 percent of appendix E first-class rates for same distances. Because of the wide range in the relationships of individual rates the average may not be an accurate measure of the rate levels.

⁴ Scales approved in 136 I. C. C. 651, 677, plus subsequent general increases, compared with 50 percent of appendix E first-class rates for each 25 miles up to 1,000 miles.

⁵ Average relation of rates shown in table IV of appendix K to 50 percent of appendix E first-class rates for same distances. Due to the wide range in the relationships of individual rates the average may not be an accurate measure of the rate levels.

TABLE 80.—Relationships of intraterritorial rate levels on packing-house products, in carloads ¹

[Minimum weight 30,000 pounds]

[Official Territory = 100]

Official ²	100
Southern ³	138
Western Trunk-Line ⁴	131
Southwestern: ⁵	
Single line.....	159
Joint line.....	161
Mountain-Pacific ⁶	162

¹ Based on the sum of the rates, except as noted, at each 25-mile interval, up to and including 1,000 miles.

² Class 37.5-L. Classification exceptions basis.

³ Approved in *Fresh Meats and Packing-House Products to, from, and between Points in Southern Territory*, 191 I. C. C. 257, 302 (1933), and subsequently increased under *Ex Parte 115*

⁴ Based on the average of 74 point-to-point commodity rates as shown in table III of appendix K.

⁵ Approved in *Meats and Packing-House Products to, from, and between Southwestern and Western Trunk-Line Points*, 136 I. C. C. 651, 677 (1928), plus subsequent general increases.

⁶ Based on the average of 58 point-to-point commodity rates as shown in table V of appendix K.

H. LIME

Carload rates on lime are, for the most part, based on scales prescribed by the Commission.

OFFICIAL TERRITORY

No uniform basis applies over the whole of Official Territory. Four different scales have been prescribed—a Central Territory scale, a Trunk-Line scale, a New England scale, and an Illinois Territory scale.

The Central Territory scale was prescribed in Docket 16170, *Eastern Lime Manufacturers Traffic Bureau v. Akron & Barberton Belt Railroad Co.*, 112 I. C. C. 7 (1926), for somewhat limited territorial application. In this case specific group rates were prescribed from certain eastern origins to Central Territory which were close to rates which would have resulted from application of the scale. This scale, known as the "Eastern" or "16170" scale now applies within Central Territory, and from points in Trunk-Line Territory to Central Territory. Rates under this scale are subject to a minimum weight of 30,000 pounds, but rates made 80 percent of the scale apply with a minimum of 50,000 pounds. The 80-percent basis with the higher minimum now characterizes the rates in all territories.

Within Trunk-Line Territory rates are based on a scale known as the 110 percent scale since it was made 10 percent higher than the Central Territory scale. For distances up to 55 miles, however, lower truck competitive rates are in effect. The 110-percent scale was approved in *Ohio Lime Manufacturers v. Pennsylvania Railroad Co.*, 214 I. C. C. 417 (1936). This scale also applies from Central Territory to Trunk-Line Territory, and from New England to New York City and intermediate points, and from Central Territory to border territory between New England and Trunk-Line Territory.

In New England the lime rates are based on a scale which was made 120 percent of the 16170 scale. These rates were approved by the Commission in *Lime from and to New England*, 222 I. C. C. 665 (1937). They apply within New England, and between New England and Trunk-Line Territory (except from New England to New York City and intermediate points) and between New England and Central Territory. Within New England a truck competitive scale somewhat lower than the regular scale applies up to distances of 55 miles.

Within Illinois Freight Association Territory, a basis was approved by the Commission in *Lime in the West*, 222 I. C. C. 653 (1937), which is slightly lower than the Central Territory scale for the shorter distances.

SOUTHERN TERRITORY

Lime rates in Southern Territory on the basis of a distance scale were approved in *Lime between Southern Points*, 129 I. C. C. 635 (1927). In a later case, *Dan-Gerow Co. v. Atlantic Coast Line Railroad Co.*, 172 I. C. C. 482 (1931), the scale was extended from 800 to 1,400 miles and arbitraries prescribed for hauls in the Florida Peninsula. The Southern lime scale averages approximately 14 percent of the Southern (K-2) scale of first-class rates (196 I. C. C. 537, 538).

WESTERN TRUNK-LINE TERRITORY

Two scales of rates on lime apply within Western Trunk-Line Territory, known as scale A and scale B. These scales were approved by the Commission in *Lime in the West*, 222 I. C. C. 653 (1937). The lower of these scales, scale A, applies within zone I, and from the remainder of Western Trunk-Line Territory to zone I. Scale B applies outside of zone I and from zone I to points in the other zones.⁶

To destinations in Wyoming, except the southeast corner which is in scale-B territory, the rates are made 125 percent of scale B.

SOUTHWESTERN TERRITORY

The basis of rates in Southwestern Territory is a scale prescribed in *Lime from, to, and between Points in the Southwest*, 205 I. C. C. 282 (1934). This scale is the same as scale B in Western Trunk-Line Territory. Rates lower than the Southwestern scale apply from Texas, Arkansas, Missouri, and other Southwestern shipping points to Mississippi River crossings, Memphis, and south. See *Lime from Southwest to the South*, 248 I. C. C. 777 (1942).

MOUNTAIN-PACIFIC TERRITORY

Rates on lime in this area are on no single basis, and no structure has been prescribed for general application throughout the area. A scale of very limited territorial application, i. e., from Dolomite, Utah, to points on the Union Pacific System in Idaho, Oregon, and Montana, was prescribed in *Utah Lime and Stone Co. v. Atchison, Topeka and Santa Fe Railway Co.*, 87 I. C. C. 170 (1924).

SUMMARY

The use of Commission-made or Commission-approved distance scales characterizes the rates on lime throughout all territories except Mountain-Pacific. The relationships of these scales are shown in Table 81. The Southern and Illinois scales are slightly below the Central Territory scale. The other scales are on a level higher than the Central Territory scale.

TABLE 81.—*Relationships of intraterritorial mileage scales on lime, in carloads*¹
 [Minimum weight 30,000 pounds, except as shown in Note 9, below]

	[C. F. A. Territory scale=100]
C. F. A. ² -----	100
Trunk-Line ³ -----	110
New England ⁴ -----	120
Southern ⁵ -----	99
Illinois ⁶ -----	99
Western Trunk-Line: ⁷	
Within and to zone I-----	111
Within and to zones II and III-----	126
Southwestern ⁸ -----	126
Mountain-Pacific ⁹ -----	149

¹ Based on the sum of the rates, not including *Ex Parte 115* or *Ex Parte 123* increases, for each 25 miles up to 700 miles.

² Prescribed in 112 I. C. C. 7, and 203 I. C. C. 407.

³ Approved in 214 I. C. C. 417.

⁴ Approved in 222 I. C. C. 665.

⁵ Approved in 129 I. C. C. 635, and 172 I. C. C. 482.

⁶ Approved in 222 I. C. C. 653.

⁷ Approved in 222 I. C. C. 653.

⁸ Prescribed in 205 I. C. C. 282.

⁹ Prescribed in limited scope in 87 I. C. C. 170—minimum weight, 60,000 pounds.

⁶ The area embraced within Western Trunk-Line Territory in this proceeding was less extensive than the area shown on the map of class-rate territories, but corresponded to the area embraced within Western Trunk-Line Territory in the original *Western Trunk-Line Class-Rates case*, 164 I. C. C. 1.

J. LIVESTOCK

Rates on livestock, in carloads, have been prescribed by the Interstate Commerce Commission for application within the major rate territories. Livestock rates bear no fixed relationship to class rates.

Before describing the intraterritorial rate structures on livestock, mention should be made of certain characteristics of the traffic and special facilities and services which it requires.

Cattle traffic originates mostly in Western Trunk-Line, Southwestern, and Mountain-Pacific Territories, and in the State of Illinois. The larger livestock markets to which the cattle move are located at Chicago, East St. Louis, Kansas City, St. Joseph, Oklahoma City, Wichita, Omaha, Denver, Sioux City, South St. Paul, and Fort Worth. There is a large movement of stocker cattle from the range country in the West which are pastured and fattened at intermediate points and then moved to the markets and packing-house centers. Hogs usually move from farms directly to market.

Livestock traffic requires specialized equipment and more expensive transportation services than ordinary freight. The special equipment required consists of stock cars and loading and unloading facilities, such as pens and chutes. Special services include loading and unloading livestock at public stockyards, unloading and reloading in transit for feed, water, and rest as required by law, cleaning and disinfecting cars, and expedited train schedules. The Commission has recognized the foregoing facts and conditions in connection with the rate levels which it has prescribed, but the Commission has also recognized that livestock is traffic that can be expected to do no more than pay its own way, since the traffic will not stand a high level of rates. See *Livestock—Western District Rates*, 176 I. C. C. 1, 83 (1931).

Where livestock rates are prescribed by the Commission the cattle rates are made to apply on calves, hogs, and sheep, in double-deck cars. Calves and hogs in single-deck cars take 115 percent, and sheep in single-deck cars take 125 percent, of the cattle rates. In the West and the East a large proportion of the sheep and hogs move in double-deck cars.

On stocker and feeder livestock within the Western District the rates are usually 85 percent of the fat-stock rates. This basis was found reasonable by the Commission in *Livestock—Western District Rates*, 176 I. C. C. 1 (1931), 238 I. C. C. 425, 467 (1940). Within the South, rates on stocker and feeder livestock on the basis of 90 percent of the fat-stock rates were recently prescribed in *Livestock to and from the South*, 253 I. C. C. 241 (1942), although the Commission recognized the desirability of a single level on all livestock. Stocker and feeder rates on a basis lower than the fat-stock rates were denied for application within Official Territory in 1928. See *American Farm Bureau Federation v. Akron & Barberton Belt R. R. Co.*, 147 I. C. C. 295, 299 (1928).

Various transit privileges are accorded on livestock. Stopping in transit for a period not exceeding 1 year for grazing and feeding is commonly authorized by the carriers' tariffs. In *Livestock to and from the South*, 253 I. C. C. 241 (1942), the Commission found that a necessity had been shown for the establishment of grazing and feeding in-transit privileges in the South. Although arrangements for feeding and grazing were not required by the Commission in the cases

involving livestock rates in the East, such arrangements are provided by some of the lines in Central Territory.

Stopping in transit to "try the market" has been required by the Commission. See *Livestock—Western District Rates*, 176 I. C. C. 1, 112 (1931). The Commission has not required that sale in transit be established, in effect holding that in the event of a sale in transit the combination on the market was not an unreasonable basis of rates. See *St. Louis Live Stock Exchange v. Alton R. R. Co.*, 198 I. C. C. 73, 111 (1933). Sale in transit of stocker and feeder cattle, as well as of fat cattle, has been commonly established by the carriers. It was practically required on stocker and feeder cattle as a result of a Section 3 finding in *Livestock—Western District Rates*, 238 I. C. C. 425 (1940), that granting the privilege at country markets but denying it at public markets constituted undue preference and prejudice, and the further finding in *Transit Livestock at Feed Yards in Western District*, 245 I. C. C. 321 (1941), that the privilege should not be withdrawn from the country markets.

A pick-up service on livestock has been provided by a number of railroads in Iowa, Illinois, and Wisconsin. This service applies within a radius of 10 miles from designated stations on livestock shipped to Chicago and other markets. It applies at stations within approximately a radius of 250 miles from Chicago. The purpose of this service was to meet truck competition. An allowance of 3 cents per hundred pounds is paid to the shipper if he elects to bring his livestock to the station instead of accepting the pick-up service offered by the railroad. For decisions relating to this service see *Pick-Up of Livestock in Illinois, Iowa, and Wisconsin*, 238 I. C. C. 671 (1940), 248 I. C. C. 385 (1942), 251 I. C. C. 549 (1942).

OFFICIAL TERRITORY

No single scale of rates has been prescribed to apply on livestock in carloads uniformly throughout Official Territory. The lowest basis applies in Central Territory. This scale was prescribed in the *Eastern Livestock Cases*, 165 I. C. C. 277, 313 (1930).

In the *Eastern Livestock Cases* no rates were provided within Trunk-Line Territory. In the *Virginia Livestock Cases*, 183 I. C. C. 575 (1932), a scale was prescribed from certain origins in Virginia and West Virginia to Jersey City, N. J., Philadelphia, Pa., Baltimore, Md., Washington, D. C., and some other points. This scale has been used by the carriers as a basis of making rates within Trunk-Line Territory, although rates so constructed are held down at some points by the lower basis applying from Central Territory to Trunk-Line Territory. Prior to the *Ex Parte 123* increases, the Virginia scale was made uniformly 2 cents over the Eastern scale.

From Central Territory to Trunk-Line Territory the rate adjustment is built upon a rate of 53 cents⁷ from Chicago to New York prescribed in the *Eastern Livestock Cases*, 165 I. C. C. 277, 312 (1930). From other origins in Central Territory the rates are percentages of the Chicago-New York rate. These rates apply from rate groups of varying size. The Commission held in the *Eastern Livestock Cases* that the rates from St. Louis and East St. Louis should not exceed

⁷ Subsequently increased under *Ex Parte 123*.

the Chicago-New York rate by more than 5 cents, and that the rates from the upper Mississippi River crossings, Louisiana, Mo., to Dubuque, Iowa, inclusive, should not be more than 6 cents over the Chicago-New York rate. To other destinations in Trunk-Line and New England Territories the rates are made on the New York rate plus or minus differentials. The 53-cent Chicago-New York rate is the rate that would be produced at 920 miles by extending the Central Freight Association livestock scale at the rate of progression used at the end of the scale. The distance from Chicago to New York is about 900 miles.

SOUTHERN TERRITORY

In *Livestock to and from the South*, 253 I. C. C. 241 (1942), the Commission prescribed rates within the South on a basis somewhat higher than the Central Territory scale. These rates became effective on February 1, 1943. Prior to February 1, 1943, the rates in Southern Territory had been on the basis of a scale known as the "compromise scale" which was about 15 percent higher than the Eastern scale. This scale was established by the carriers following the Commission's decision in *Livestock to, from, and between Points in the Southeast*, 74 I. C. C. 419 (1922). The resulting rates were found not unreasonable in *Livestock, Southern Territory Rates*, 171 I. C. C. 721 (1930).

WESTERN TRUNK-LINE AND SOUTHWESTERN TERRITORIES

A single scale of livestock rates applies in both Western Trunk-Line and Southwestern Territories. This scale covers the entire area from the Mississippi River and Chicago to the Rocky Mountains. The scale was prescribed in *Livestock—Western District Rates*, 176 I. C. C. 1 (1931).

MOUNTAIN-PACIFIC TERRITORY

The Mountain-Pacific scale was also prescribed in *Livestock—Western District Rates*, and is on a basis somewhat higher than that applied in Western Trunk-Line and Southwestern Territories.

SUMMARY

The differences in the intraterritorial levels of livestock rates are not great, and are less than exist in the rates on most commodities. The comparative levels of the rates are shown in table 82. An unusual feature of the livestock rates is the uniform level in the area west of the Mississippi River and Chicago to the Rocky Mountains. It should be pointed out, however, that to meet truck competition, rates have been published quite extensively from country points to livestock markets on a lower basis than that prescribed by the Commission. Such rates are not on any uniform basis, and they apply only for shorter distances.

TABLE 82.—Relationships of intraterritorial mileage scales on livestock, in carloads ¹

[Central Territory scale=100]

Central ²	100
Southern:	
Old basis ³	115
New basis ⁴	106
Virginia ⁵	106
Western Trunk-Line and Southwestern ⁶	109
Mountain-Pacific ⁶	120

¹ Based on sum of the rates at 25-mile intervals, increased under *Ex Parte 123*, except the new Southern scale which was prescribed after *Ex Parte 123*.

² Prescribed in 165 I. C. C. 277, 313.

³ Authorized in 74 I. C. C. 419.

⁴ Prescribed in 253 I. C. C. 241.

⁵ Prescribed in 183 I. C. C. 575, 587.

⁶ Prescribed in 176 I. C. C. 1, 188, 189.

Carload minimum weights

	South	Official	Western Trunk-Line and Southwestern Territories
	Pounds	Pounds	Pounds
Cattle, single deck.....	20,000	22,000	22,000
Calves:			
Single deck.....	16,000	16,000	16,000
Double deck.....	22,000	24,000	23,000
Hogs:			
Single deck.....	16,000	17,000	16,500
Double deck.....	22,000	23,000	24,000
Goats, single deck.....			
Sheep, single deck.....	12,000	12,000	12,000
Kids, double deck.....	18,000	18,000	20,000
Lambs, double deck.....			

K. Logs

Logs move in large volume in many sections of the United States, generally on rates which are extremely low. The low levels of the rates are due to a number of different circumstances. Originally many of the rates on logs were established on a low basis to encourage the clearing of land and the development of agriculture. Low rates, particularly single-line rates, have been commonly established to encourage the manufacture of lumber and other forest products at mill points served by the originating carriers, thereby giving the carrier an outbound movement of forest products. Low rates on logs have also been established to meet river competition, i. e., the floating of logs down the rivers to mills. In the last 10 or 15 years many low rates have been made to meet motortruck competition.

Unlike the rates on other commodities which move in large volume, log rates have not been the subject of comprehensive investigations by the Interstate Commerce Commission with the exception of the rates in Central Territory where a general basis has been prescribed.

Logs do not normally move very long distances, with the exception of walnut logs and certain other hardwood logs which are used principally for the manufacture of furniture or for other special uses.

There is a wide variation in rate levels on logs, even within the various rate territories. The comparatively short hauls make intrastate rates of major importance. Such rates, prescribed by State commissions, also account for the wide variation in rate levels.

One unusual feature of log rates in many parts of the country is the maintenance of special scales of net transit rates. These rates are lower than the usual basis, and apply on logs to mill points when the outbound products are reshipped via the same railroad that handled the inbound logs. Sometimes the normal or gross rates are paid on the logs, and later, upon evidence of the reshipment of the outbound products, a refund is made of the difference between the gross rate and the net transit rate. In some instances, however, the carriers have a bond arrangement. Under this arrangement the shipper gives a surety bond to guarantee the payment of the gross rates on such shipments as may not be entitled to net transit rates, and then pays the net transit rates, instead of the gross rates, on the shipment to mill points.

OFFICIAL TERRITORY

In *Public Service Commission of Indiana v. Ann Arbor R. R. Co.*, 85 I. C. C. 533 (1933), rates on logs in Central Territory were prescribed on the basis of 65 percent of sixth class. This basis is still applicable intrastate in the State of Indiana. Interstate this basis has been superseded by the general basis of 18 percent of first class voluntarily established by the carriers in 1939 for application throughout Official Territory. The general basis, 18 percent of first class, is approximately the same as 65 percent of sixth class. Numerous specific point-to-point rates, and distance rates, generally lower than the general basis, have been continued in Eastern Territory.

SOUTHERN TERRITORY

Many different levels of rates on logs are maintained in the South. The lowest interstate prescribed scale is the Pierpont scale, prescribed in *Pierpont Manufacturing Co. v. Southern Ry. Co.*, 50 I. C. C. 81 (1918). This scale is a single-line scale that has general application over standard lines operating between points in southern Virginia, North Carolina, South Carolina, Georgia, eastern Alabama, and northern Florida. Another basis important in the South consists of the Farris single-line and joint-line scales prescribed in *Farris Hardwood Lumber Co. v. Louisville and Nashville R. R. Co.*, 178 I. C. C. 671 (1931). These scales were designated for application on native hardwood logs moving in regions where operating conditions are not as favorable as those found in the coastal areas. The scales were originally prescribed for application from various points in Southern Territory to mill points in Tennessee. The Farris joint-line scale has also been prescribed in other cases. See *Chattanooga Handle Co. v. Atlanta and West Point R. R. Co.*, 181 I. C. C. 435 (1932); *American Cigar Box Lumber Co. v. Norfolk and Western Ry. Co.*, 182 I. C. C. 619 (1932); *Pulaski Veneer Corp. v. Nashville, Chattanooga and St. Louis Ry.*, 182 I. C. C. 757 (1932); *A. K. Foss v. Nashville, Chattanooga and St. Louis Ry. Co.*, 186 I. C. C. 270 (1932); *Tennessee Eastman Corp. v. Louisville & Nashville R. R. Co.*, 198 I. C. C. 639 (1934); *Carolina Veneer Co., Inc. v. Carolina, Clinchfield & Ohio Ry.*, 213 I. C. C. 472 (1935); *Carolina Veneer Co. v. Chesapeake & Ohio Ry. Co.*, 226 I. C. C. 170 (1938).

Another prescribed basis is the southern veneer single-line and joint-line scale prescribed in *Southern Veneer Association v. Atlantic*

Coast Line R. R. Co., 62 I. C. C. 669 (1921), for application on poplar and gum logs from points in South Carolina to furniture-manufacturing points in North Carolina.

WESTERN TRUNK-LINE TERRITORY

The production of logs in Western Trunk-Line Territory is principally in the Lake States, i. e., Minnesota, Michigan, and Wisconsin. The scales applicable in Western Trunk-Line Territory are mostly carrier-made scales, or intrastate scales prescribed by State commissions.

SOUTHWESTERN TERRITORY

In the Southwest the use of net transit rates on logs is widespread, and most logs move on these rates instead of on the gross rates. Rates on logs are not on a uniform level and have not been before the Commission for comprehensive treatment.

MOUNTAIN-PACIFIC TERRITORY

Rates on logs in the lumbering regions in the States of Washington and Idaho are generally on the basis of scales voluntarily established by the carriers. Between points in California and Oregon only specific point-to-point rates are published on logs. These rates are not on any consistent basis and, for the most part, were voluntarily established by the carriers.

SUMMARY

The rate levels on logs vary greatly on different railroads or in different parts of the various rate territories. The relationships of some of the more important scales to the general basis in Official Territory are shown in table 83. With a few exceptions the rates on logs are either carrier-made rates, or rates prescribed by State commissions. There are very few rates higher than the general basis which applies in Official Territory. The lowest scales are truck competitive scales established in the South and Southwest, and the Texas intrastate local transit scales.

TABLE 83.—*Relationships of intraterritorial mileage scales on logs, in carloads*¹

[Eastern or Official Territory general basis=100]

EASTERN OR OFFICIAL TERRITORY SCALES

General basis (single line and joint line) ² -----	100
Norfolk & Western Ry. Interstate (single line) ³ -----	82
Norfolk & Western Ry. Virginia Intrastate (single line) ⁴ -----	78
Delaware & Hudson R. R. (single line) ⁴ -----	78
New York Central R. R. Michigan Intrastate (single line) ⁵ -----	107
Indiana Intrastate (single line and joint line) ⁶ -----	100

¹ Based on the sum of the rates, including *Ex Parte 123* increases, at each 25-mile interval up to 350 miles, except as noted.

² This is 18 percent of first class, which is substantially the basis prescribed in Central Territory in 85 I. C. C. 533. Minimum weight 36,000 pounds.

³ Single-line scales of the Norfolk & Western Ry. which have general application to mill points in Virginia. Minimum weight 40,000 pounds.

⁴ Single-line scale of the Delaware & Hudson R. R. Corporation, minimum weight depending upon type and size of car used.

⁵ Single-line scale of the New York Central R. R., applicable on intrastate traffic in the lower peninsula of Michigan. Minimum weight 40,000 pounds. (Extended from 300 to 350 miles.)

⁶ Applies on Indiana intrastate traffic, minimum weight 40,000 pounds.

TABLE 83.—Relationships of intraterritorial mileage scales on logs, in carloads—
Continued

[Eastern or Official Territory general basis=100]

EASTERN OR OFFICIAL TERRITORY SCALES—continued

Boston & Maine R. R.-Maine Central R. R.—minimum weight 70,000 pounds (single line) ⁷	47
Maine Central R. R. Intrastate—minimum weight 40,000 pounds (single line) ⁸	81
Maine Central R. R. Interstate—minimum weight 40,000 pounds (single line) ⁸	83
SOUTHERN TERRITORY SCALES	
Pierpont (single line) ⁹	67
Farris:	
Single line ¹⁰	79
Joint line ¹⁰	99
Southern veneer:	
Single line ¹¹	75
Joint line ¹¹	94
Alabama intrastate:	
Single line ¹²	65
Joint line ¹²	71
Florida intrastate (single line) ¹³	45
Georgia intrastate (single line) ¹⁴	50
North Carolina intrastate:	
Single line ¹⁵	55
Joint line ¹⁵	63
Net transit (single line):	
Normal: ¹⁶	
Louisville & Nashville R. R.....	67
Illinois Central-Yazoo & Mississippi Valley R. R.....	63
St. Louis-San Francisco Ry.....	60
Truck Competitive: ¹⁷	
Atlantic Coast Line R. R.....	¹⁸ 33
Louisville & Nashville R. R.....	¹⁹ 43
Seaboard Air Line Ry.....	¹⁸ 26
Various lines.....	¹⁹ 27

WESTERN TRUNK-LINE TERRITORY SCALES

Michigan-Wisconsin:	
Gross, single line ¹⁹	64
Net transit, single line ¹⁹	40
Chicago & North Western Ry. & Chicago, Milwaukee, St. Paul & Pacific R. R., Minnesota-Wisconsin (single line) ²⁰	91

⁷ Single-line scales of the Boston & Maine R. R., and Maine Central R. R., which apply on both interstate and intrastate traffic. Minimum weight 70,000 pounds.

⁸ Single-line scales of the Maine Central R. R. subject to minimum weight of 40,000 pounds.

⁹ Prescribed in 50 L. C. C. 81 (and other cases) for limited application but extended by carriers for general application between Carolina and Southeastern points, excluding the Florida Peninsula. Minimum weight 40,000 pounds.

¹⁰ Prescribed in 178 I. C. C. 671 for application from various points in the South to destinations in Tennessee. Minimum weight is generally 40,000 pounds.

¹¹ Prescribed in 62 I. C. C. 669 for application from points in South Carolina to destinations in North Carolina. Minimum weight 40,000 pounds. (Constructive scale for distance under 100 miles.)

¹² Prescribed by the Alabama Commission in Docket 4136, Apr. 29, 1923. Minimum weight 40,000 pounds.

¹³ Single-line scale of the Seaboard Air Line Ry. which has application on short logs moving intrastate in Florida. Minimum weight 40,000 pounds.

¹⁴ Single-line scale prescribed by the Georgia Commission. Minimum weight 40,000 pounds.

¹⁵ Prescribed by the North Carolina Commission in Circular No. 251, Aug. 5, 1923. Minimum weight 40,000 pounds.

¹⁶ Single-line normal net transit scales of the Louisville & Nashville R. R., Illinois Central R. R., Yazoo & Mississippi Valley R. R. and St. Louis-San Francisco Ry. (Extended from 300 to 350 miles.) Minimum weight is generally 40,000 pounds.

¹⁷ Single-line truck competitive net transit scales of the Atlantic Coast Line R. R., Louisville & Nashville R. R., Seaboard Air Line Ry. and other lines. The minimum weight is 80,000 pounds, except that it is 60,000 pounds and 50,000 pounds for the Atlantic Coast Line R. R. and Louisville & Nashville R. R., respectively.

¹⁸ Based on the sum of the rates, including *Es Parte 123* increases, at each 25-mile interval up to 125 miles.

¹⁹ Single-line gross and net transit scales of the Chicago & North Western R. R. and Chicago, Milwaukee, St. Paul & Pacific R. R., which apply between points in Michigan and Wisconsin, on sawlogs, carloads, minimum weight 50,000 pounds. (Gross scale extended from 300 to 350 miles.)

²⁰ Single-line scales of the Chicago & North Western R. R., and Chicago, Milwaukee, St. Paul & Pacific R. R., which apply from points in Minnesota to destinations in Wisconsin. Minimum weight 50,000 pounds.

TABLE 83.—Relationships of intraterritorial mileage scales on logs, in carloads—
Continued

[Eastern or Official Territory general basis=100]

WESTERN TRUNK-LINE TERRITORY SCALES—continued

Walnut logs to Missouri River points (single line) ²¹ -----	85
Missouri intrastate:	
Single line ²² -----	98
Joint line ²² -----	112

SOUTHWESTERN TERRITORY SCALES

Normal Net Transit Scales:	
Chicago, Rock Island & Pacific R. R. (single line): ²³	
(a)-----	63
(b)-----	75
Missouri Pacific R. R. (single line) ²⁴ -----	63
St. Louis Southwestern Ry. (single line): ²⁵	
(a)-----	63
(b)-----	66
(c)-----	77
(d)-----	80
St. Louis-San Francisco Ry. (single line) ²⁶ -----	67
Texas intrastate:	
Single line ²⁷ -----	75
Joint line ²⁷ -----	88
Texas local intrastate (single line): ²⁸	
(a)-----	20 23
(b)-----	29 28
Truck competitive net transit scales: ³⁰	
Interstate except to Memphis, Tenn. (single line)-----	18 27
To Memphis, Tenn., only (single line)-----	18 34
Arkansas intrastate (single line)-----	18 26
Oregon-Washington hardwood (single line) ³¹ -----	20 52
Idaho-Washington (single line) ³² -----	29 32
Washington intrastate (single line) ³³ -----	29 26
Idaho intrastate (single line) ³⁴ -----	29 31

²¹ Single-line truck competitive scale applicable only on walnut logs from points in Kansas, Missouri, Nebraska, and Iowa to Omaha, Nebr., Kansas City, Mo., and other Missouri River points. It was before the Commission in 241 I. C. C. 447. Minimum weight 60,000 pounds.

²² General intrastate scales applicable between points in Missouri. Minimum weight 30,000 pounds.

²³ Single-line normal net transit scales of the Chicago, Rock Island & Pacific which apply to first transit point and where the out-bound products are 20 percent or more of the in-bound logs. (Higher scales applicable to second transit point and where out-bound products are less than 20 percent of the in-bound logs.)

(a) Applicable between stations in Arkansas, Louisiana, Oklahoma, and Texas, except will not apply on Texas intrastate traffic. (b) Applicable between Memphis, Tenn., and stations in Arkansas, Louisiana, Oklahoma, and Texas. Minimum weight generally 40,000 pounds.

²⁴ Single-line normal net transit scale of the Missouri Pacific R. R. Minimum weight 40,000 pounds.

²⁵ Single-line normal net transit scales of the St. Louis Southwestern Ry., which apply: (a) To all stations, except Memphis, Tenn., where the out-bound products are 20 percent or more of the in-bound logs; (b) to all stations except Memphis, Tenn., where the out-bound products are less than 20 percent of the in-bound logs; (c) to Memphis, Tenn., only where the out-bound products are 20 percent or more of the in-bound logs; and (d) to Memphis, Tenn., only where the out-bound products are less than 20 percent of the in-bound logs. The minimum weight is generally 40,000 pounds.

²⁶ Single-line normal net transit scale of the St. Louis-San Francisco Ry., except not applicable to Memphis Tenn. Minimum weight 40,000 pounds.

²⁷ Texas intrastate net transit scales. Minimum weight 30,000 pounds.

²⁸ Texas local intrastate single-line net transit scales. Rates on a per car basis subject to a maximum load 90,000 pounds. Scales (a) and (b) have different applications.

²⁹ Based on the sum of the rates, including *Ex Parte 125* increases, at each 25-mile interval up to 200 miles.

³⁰ Single-line truck competitive net transit scales which apply (a) between points in Arkansas, Louisiana, and Oklahoma on interstate traffic; (b) from points in these States to Memphis, Tenn.; and (c) on Arkansas intrastate traffic. Minimum weight 30,000 pounds.

³¹ Single-line scale applicable on hardwood logs interstate between points in Oregon and Washington. Minimum weight 50,000 pounds.

³² Single-line scales of the Chicago, Milwaukee, St. Paul & Pacific R. R. and Northern Pacific R. R., which apply on interstate traffic between points in Idaho and Washington, east of the Cascade Mountains. Minimum 8,000 and 7,000 feet (board measure) on the Chicago, Milwaukee, St. Paul & Pacific R. R. and Northern Pacific R. R., respectively.

³³ Single-line scale generally applicable on Washington intrastate traffic. This scale is published in cents per car not exceeding 80,000 pounds.

³⁴ Single-line scale of the Chicago, Milwaukee, St. Paul & Pacific R. R. applicable on Idaho intrastate traffic. Minimum 8,000 feet (board measure) or approximately 80,000 pounds.

L. LUMBER

Lumber is produced in all of the five rate territories, with the preponderance of the production in Mountain-Pacific and Southern Territories. Lumber moves chiefly on commodity rates, and the levels of these rates are affected by competitive modes of transportation and by the competition of producing areas. Lumber rates apply on many related articles specifically enumerated in the lumber list in the tariffs. Among the articles commonly included in the lumber list are wooden paving blocks; box or crate material; cooperage stock; flooring; grain doors; lath; lumber with edges glued together forming a continuous flat surface; moulding; piling; telegraph and telephone poles; pole-line construction material, including cross arms, cross arm braces, insulator brackets, insulator pins, and pole steps; posts; shingles; and railroad ties. Some of the articles in the lumber list, particularly cooperage stock and box or crate material are frequently given rates lower than apply on lumber.

OFFICIAL TERRITORY

Rates were prescribed on lumber between points in Official Territory on the basis of 25 percent of the first-class rates in *Lumber between Points in Official Territory*, 214 I. C. C. 493 (1936). Since that decision the carriers have voluntarily published 22.5 percent of first class but there are many point-to-point commodity rates designed to meet motor competition, and there are also several individual-line mileage scales in effect.

SOUTHERN TERRITORY

In *Adams-Bank Lumber Co. v. Aberdeen & Rockfish R. R. Co.*, 157 I. C. C. 280 (1929), the Commission approved a general revision of rates on lumber for application quite extensively throughout the South. In the construction of these rates a distance scale was used as a guide which has been recognized by the Commission as a standard of reasonableness in numerous later cases, and which has also been the basis for voluntary adjustments of lumber rates in the South. For distances up to 100 miles, both single-line and joint-line scales were used. Considerable grouping was permitted. Differentials were authorized for the area south of Jacksonville and River Junction, Fla., and for certain weak and short lines.

In 1940 the carriers readjusted lumber rates in Southern Territory, building them around a mileage scale, known as the compromise scale, which is the same for both single-line and joint-line hauls, and is lower than the Adams-Bank scale. The compromise scale, however, did not entirely supersede the previously existing bases of rates. In some instances group rates approved in the *Adams-Bank case* were continued, while in others rates were reduced to a slightly lower basis. The group adjustment from the Southeast and from the Mississippi Valley to the Ohio River was continued—an adjustment which had been maintained since 1915, and which was approved in *Rates on Lumber from Southern Points*, 34 I. C. C. 652 (1915), 36 I. C. C. 137 (1915).

SOUTHWESTERN TERRITORY

The rates on lumber in the Southwest are characterized by extensive grouping of origins and destinations. On traffic to St. Louis, Mo., Cairo, Ill., and Thebes, Ill., the area south of the Arkansas River to the Gulf constitutes an origin group known as the Southwestern Yellow Pine Blanket. The area north of the Arkansas River is divided into several origin groups for traffic moving to the same destinations.

Other group adjustments are those from the producing territory in Arkansas, Louisiana, and Oklahoma to points in Texas, and from points in Arkansas, Louisiana, and Texas, and from Memphis, Tenn., Vicksburg, Miss., New Orleans, La., and other east bank Mississippi River crossings, to destinations in Oklahoma.

In 1940 and 1942 the carriers voluntarily adopted a truck-competitive scale on lumber for limited application between points in Arkansas, Louisiana, Oklahoma, and Texas. This scale, where used, is not always applied for the continuous distance from origin to destination, but is used to construct through rates on a combination basis by applying the scale from point of origin to a certain junction and from that junction to final destination. Table 84 compares point-to-point lumber rates in the Southwest with rates for the same distances under various other scales. It will be observed that the rates shown average about the same as would result from applying the Official Territory prescribed basis.

MOUNTAIN-PACIFIC TERRITORY

The present rates on lumber between points in Mountain-Pacific Territory are not on a consistent or uniform level. Generally, these rates reflect extensive grouping of origins and destinations and it appears that, for the most part, both the rates and groupings were voluntarily adopted by the carriers. In some instances, however, certain origin or destination relationships and a few specific adjustments have been prescribed by the Commission.

One of the most important movements in Mountain-Pacific Territory consists of lumber, box material, and other articles from points of production in California, Oregon, and Washington, to destinations in California. California consumes a large amount of lumber and related products, the greatest consumption centering around Los Angeles, and San Francisco, and their environs. Water-borne lumber from Portland, Oreg., and other points largely supplies the two great markets around Los Angeles and San Francisco Bay. The interior markets of California receive the bulk of their supplies all-rail from California and Oregon mills. The water-borne movement to Los Angeles Harbor and San Francisco Bay ports has had a decided influence on the rates from all shipping points to destinations in the State of California. Requirements of the Railroad Commission of California have also influenced the level of the interstate rates to California destinations, and have resulted in rates that are generally lower than those in effect to other points in Mountain-Pacific Territory.³ The lower level of rates into California is shown by comparing the

³ *Los Angeles Lumber Products Co. v. Southern Pacific Co.*, 104 I. C. C. 297 (1925).

rates shown in table 85 with those shown in table 86. These tables also compare representative rates in Mountain-Pacific Territory with the mileage bases in Official and Southern Territories. The rates on lumber from Portland, Oreg., and from the Willamette Valley, which is south of Portland, to San Francisco and other California destinations have been before the Commission on several occasions. See *Western Oregon Lumber Mfrs. Ass'n v. Southern Pacific Co.*, 14 I. C. C. 61 (1908); *Oregon & Washington Lumber Mfrs. Ass'n v. Southern Pacific Co.*, 21 I. C. C. 389 (1911); and *Inman-Poulsen Lumber Co. v. Southern Pacific Co.*, 42 I. C. C. 275 (1916). The present rates in many instances are the result of those decisions, modified by the general increases and reductions.

The rates shown in tables 85 and 86 are those on softwood lumber. In certain instances the rates on hardwood lumber are on a higher level than the rates on softwoods. The hardwood movement, however, is comparatively small in this territory.

SUMMARY

Prescribed or approval levels of rates on lumber in the South and in Official Territory have given way to lower rates adopted voluntarily by the carriers. The existence of numerous group adjustments, with some of the groups covering wide areas, makes comparisons of actual rate levels difficult. Comparison of the levels of the various scales, including also averages of representative rates in Southwestern Territory and in Mountain-Pacific Territory are shown in table 87.

TABLE 84.—Rates on lumber, in carloads, between points in Southwestern Territory compared with rates under various lumber scales

[Rates shown include the *Ex Parte* 123 increases. Rates in cents per hundred pounds]

From—	To—	Short-line distances (miles)	Present rates	Mileage scales ¹			
				Southern		Official	
				Adams-Bank	Com-promise	Class 25 K	Class 22.5
Hulbert, Ark.....	Memphis, Tenn..	9	8.5	5.5	4.5	8	8
Van Buren, Ark.....	Spiro, Okla.....	22	13	9.5	5.5	9	9
Fayetteville, Ark.....	Westville, Okla.....	32	7	7.5	6.5	10.5	10
De Ridder, La.....	Bleakwood, Tex.....	35	12	7.5	6.5	10.5	10
Madison, Ark.....	Memphis, Tenn.....	41	9.5	9	7	12	10
Shreveport, La.....	Marshall, Tex.....	42	14	9	7	12	10
Forrest City, Ark.....	Memphis, Tenn.....	44	12	9	7	12	10
Ashdown, Ark.....	Idabel, Okla.....	45	15	9	7	12	10
Denison, Tex.....	Stringtown, Okla.....	59	24	10	7.5	13	11
Jonesboro, Ark.....	Memphis, Tenn.....	64	13	10.5	8	13	12
Ashdown, Ark.....	Jefferson, Tex.....	71	25	13	8.5	14	13
Neosho, Mo.....	Pryor, Okla.....	75	20	13	8.5	14	13
Fort Smith, Ark.....	Muskogee, Okla.....	77	14	13	8.5	14	13
Kinder, La.....	Beaumont, Tex.....	83	9.5	12	9	14	13
Shreveport, La.....	Big Sandy, Tex.....	86	23	12	9	15	13
De Ridder, La.....	Port Arthur, Tex.....	96	9.5	12	9.5	15	14
Crowley, La.....	Beaumont, Tex.....	112	12	14	10.5	16	15
Shreveport, La.....	Jacksonville, Tex.....	117	25	14	10.5	16	15
Crowley, La.....	Bessmay, Tex.....	122	22	14	11	17	15
Fort Smith, Ark.....	Tulsa, Okla.....	129	18	14	11	17	15
Poplar Bluff, Mo.....	Memphis, Tenn.....	133	18	15	11.5	17	16
Sibley, La.....	Montrose, Ark.....	139	12	15	11.5	17	16
Denton, Tex.....	Ada, Okla.....	143	25	15	12	18	16
Ashdown, Ark.....	Tyler, Tex.....	147	25	15	12	18	16
Fayetteville, Ark.....	Tulsa, Okla.....	156	19	15	12.5	18	17
Winfield, La.....	McGehee, Ark.....	163	15	16	13	18	17
Alexandria, La.....	Port Arthur, Tex.....	164	15	16	13	18	17
Poplar Bluff, Mo.....	Little Rock, Ark.....	180	18	16	13.5	19	17
Stuttgart, Ark.....	Poplar Bluff, Mo.....	182	19	17	14	19	18

Footnotes at end of table.

TABLE 84.—Rates on lumber, in carloads, between points in Southwestern Territory compared with rates under various lumber scales—Continued

[Rates shown include the *Ex Parte* 123 increases. Rates in cents per hundred pounds]

From—	To—	Short-line distances (miles)	Present rates	Mileage scales ¹			
				Southern		Official	
				Adams-Bank	Com-promise	Class 25 K	Class 22.5
Lindale, Ark	Memphis, Tenn	183	18	17	14	19	18
Hot Springs, Ark	do	186	18	17	14	19	18
Tinsman, Ark	do	191	18	17	14.5	19	18
Shreveport, La	Little Rock, Ark	203	18	18	15	20	19
Brinkley, Ark	Rock Island, Okla	222	18	19	16	21	19
Alexandria, La	Houston, Tex	228	15	19	17	21	19
Little Rock, Ark	Muskogee, Okla	231	24	19	17	21	20
Do	McAlester, Okla	233	24	19	17	21	20
Do	Hugo, Okla	234	24	19	17	21	20
Fordyce, Ark	Wister, Okla	243	19	20	17	22	20
De Quincy, La	Tyler, Tex	246	25	20	17	22	20
Fort Smith, Ark	Waskom, Tex	269	25	21	18	22	21
Shreveport, La	Sallisaw, Okla	269	20	21	18	22	21
Monroe, La	Hugo, Okla	272	25	21	18	22	21
Winfield, La	Houston, Tex	275	18	21	18	22	21
Shreveport, La	Forrest City, Ark	277	21	21	19	22	21
Do	Galveston, Tex	281	16	22	19	23	22
Tinsman, Ark	Wylie, Tex	286	25	22	19	23	22
Ruston, La	Durant, Okla	293	25	22	19	23	22
Alexandria, La	Hugo, Okla	301	25	23	20	23	22
Do	Dallas, Tex	307	25	23	20	23	22
Little Rock, Ark	do	332	25	24	21	24	23
Eudora, Ark	Hugo, Okla	335	29	24	21	24	23
Little Rock, Ark	Ardmore, Okla	336	25	24	21	24	23
Alexandria, La	Fort Worth, Tex	338	25	24	21	24	23
Waskom, Tex	Memphis, Tenn	342	22	25	21	25	23
Bunkie, La	Higginson, Ark	350	22	25	21	25	23
Little Rock, Ark	Oklahoma City, Okla	353	25	25	22	25	23
Do	Fort Worth, Tex	362	25	25	22	25	24
Hugo, Okla	Memphis, Tenn	365	31	25	22	25	24
Lake Charles, La	Little Rock, Ark	370	22	25	22	25	24
Eudora, Ark	Dallas, Tex	371	27	25	22	25	24
Do	McAlester, Okla	372	29	25	22	25	24
Alexandria, La	Ardmore, Okla	385	28	26	24	26	25
Wheatley, Ark	Dallas, Tex	399	33	26	24	26	25
Enid, Okla	Little Rock, Ark	405	26	27	25.5	26	25
Little Rock, Ark	Enid, Okla	405	30	27	25.5	26	25
Crowley, La	Fort Worth, Tex	416	27	27	25.5	26	25
Alexandria, La	McAlester, Okla	420	26	27	25.5	26	25
Wheatley, Ark	Fort Worth, Tex	429	33	28	26.5	27	26
Alexandria, La	Ranger, Tex	433	27	28	26.5	27	26
Eudora, Ark	Ardmore, Okla	437	31	28	26.5	27	26
Alexandria, La	Muskogee, Okla	441	28	29	27.5	28	26
Little Rock, Ark	Ranger, Tex	457	27	29	27.5	28	26
Crowley, La	Ardmore, Okla	462	31	29	28	28	27
Dallas, Tex	Memphis, Tenn	463	24	29	28	28	27
Alexandria, La	Oklahoma City, Okla	486	28	29	28	29	27
Eudora, Ark	do	492	31	29	28	29	27
Fort Worth, Tex	Memphis, Tenn	493	24	29	28	29	27
Alexandria, La	Abilene, Tex	499	29	29	28	29	27
Little Rock, Ark	Altus, Okla	499	31	29	28	29	27
Crowley, La	Ranger, Tex	511	29	29	28	29	28
Franklin, La	Van Buren, Ark	518	29	29	28	29	28
Crowley, La	Muskogee, Okla	519	31	29	28	29	28
Little Rock, Ark	Abilene, Tex	523	29	30	29	30	29
Alexandria, La	Altus, Okla	524	31	30	29	30	29
Wheatley, Ark	Ranger, Tex	524	35	30	29	30	29
Blytheville, Ark	Oklahoma City, Okla	541	30	30	29	32	29
Eudora, Ark	Enid, Okla	544	35	30	29	32	29
Do	Abilene, Tex	563	31	32	30	32	30
Crowley, La	Oklahoma City, Okla	563	31	32	30	32	30
Do	Abilene, Tex	568	31	32	30	32	30
Temple, Tex	Memphis, Tenn	569	26	32	30	32	30
Alexandria, La	Enid, Okla	573	32	32	30	32	30
San Antonio, Tex	Little Rock, Ark	575	24	32	30	32	30
Eudora, Ark	Altus, Okla	585	33	32	30	33	30
Wheatley, Ark	Abilene, Tex	590	35	32	30	33	30
Crowley, La	Altus, Okla	601	33	33	31	33	31
Paragould, Ark	Graham, Tex	611	35	33	31	33	31

Footnotes at end of table.

INTERTERRITORIAL FREIGHT RATES

TABLE 84.—Rates on lumber, in carloads, between points in Southwestern Territory compared with rates under various lumber scales—Continued

[Rates shown include the Ex Parte 113 increases. Rates in cents per hundred pounds]

From—	To—	Short-line distances (miles)	Present rates	Mileage scales ¹			
				Southern		Official	
				Adams-Bank	Com-promise	Class 25 K	Class 22.5
McNeil, Tex.....	Memphis, Tenn.....	614	27	33	31	33	31
Paragould, Ark.....	Hobart, Okla.....	623	35	33	31	34	32
Little Rock, Ark.....	Amarillo, Tex.....	627	31	33	31	34	32
Shreveport, La.....	Dalhart, Tex.....	634	33	33	31	34	32
Alexandria, La.....	Alva, Okla.....	641	35	34	32	35	32
Crowley, La.....	Enid, Okla.....	650	35	34	32	35	32
Paragould, Ark.....	Austin, Tex.....	653	33	34	32	35	32
San Marcos, Tex.....	Memphis, Tenn.....	654	27	34	32	35	32
Blytheville, Ark.....	Elk City, Okla.....	664	35	34	32	35	33
Franklin, La.....	Hobart, Okla.....	667	33	34	32	35	33
Alexandria, La.....	Amarillo, Tex.....	669	31	34	32	35	33
Paragould, Ark.....	Abilene, Tex.....	679	35	34	32	35	33
Kinder, La.....	Alva, Okla.....	690	35	35	33	36	34
Wheatley, Ark.....	Amarillo, Tex.....	696	37	35	33	36	34
Neosho, Mo.....	Gardendale, Tex.....	703	35	35	33	36	34
Lake Charles, La.....	Woodward, Okla.....	714	37	35	33	36	34
Kinder, La.....	do.....	717	37	35	33	36	34
Higginson, Ark.....	Alice, Tex.....	714	35	35	33	36	34
Paragould, Ark.....	Sweetwater, Tex.....	720	37	35	33	36	34
Eudora, Ark.....	Amarillo, Tex.....	730	33	36	34	37	34
Crowley, La.....	do.....	747	33	36	34	37	35
Poplar Bluff, Mo.....	Baker, Okla.....	748	47	36	34	37	35
Greenwood, Ark.....	Alpine, Tex.....	754	34	36	34	37	35
Stuttgart, Ark.....	Dalhart, Tex.....	766	37	37	35	38	35
Hoxie, Ark.....	Boise City, Okla.....	770	40	37	35	38	35
Monroe, La.....	Hooker, Okla.....	770	44	37	35	38	35
Gould, Ark.....	Eagle Pass, Tex.....	776	32	37	35	38	35
Bunkie, La.....	Dalhart, Tex.....	781	33	37	35	38	35
Monroe, La.....	Keyes, Okla.....	789	46	37	35	38	35
Kinder, La.....	Dalhart, Tex.....	800	33	37	35	38	35
Winfield, La.....	Libbey, Okla.....	801	46	38	36	39	37
Jonesboro, Ark.....	Lubbock, Tex.....	803	37	38	36	39	37
Paragould, Ark.....	Alice, Tex.....	819	35	38	36	39	37
Lake Charles, La.....	Presidio, Tex.....	823	37	38	36	39	37
Abbeville, La.....	Pecos, Tex.....	827	36	38	36	40	37
Bunkie, La.....	Alpine, Tex.....	827	34	38	36	40	37
Cape Girardeau, Mo.....	Snyder, Tex.....	844	41	39	37	40	37
Campbell, Mo.....	Gardendale, Tex.....	850	41	39	37	40	37
Opelousas, La.....	Boise City, Okla.....	855	45	39	37	40	38
Abbeville, La.....	Dalhart, Tex.....	864	35	39	37	40	38
Campbell, Mo.....	Midland, Tex.....	864	45	39	37	40	38
Malvern, Ark.....	Presidio, Tex.....	865	37	39	37	40	38
Franklin, La.....	Morse, Tex.....	871	35	39	37	40	38
Truman, Ark.....	Raymondville, Tex.....	880	39	39	38	41	38
Hot Springs, Ark.....	Presidio, Tex.....	887	37	40	38	41	38
New Iberia, La.....	Boise City, Okla.....	896	45	40	39	41	38
Baldwin, La.....	Baker, Okla.....	902	44	40	39	42	39
Abbeville, La.....	Boise City, Okla.....	907	45	40	39	42	39
Camden, Ark.....	El Paso, Tex.....	911	35	40	39	42	39
Winfield, La.....	do.....	927	35	41	39	42	40
Monroe, La.....	do.....	932	35	41	39	42	40
Batesville, Ark.....	Alpine, Tex.....	940	46	41	39	42	40
Piggott, Ark.....	Harlingen, Tex.....	942	40	41	39	42	40
Neosho, Mo.....	El Paso, Tex.....	949	44	41	39	42	40
Campbell, Mo.....	Harlingen, Tex.....	952	44	41	39	43	40
Alexandria, La.....	El Paso, Tex.....	952	35	41	39	43	40
Poplar Bluff, Mo.....	McAllen, Tex.....	961	44	42	40	43	40
Fayetteville, Ark.....	El Paso, Tex.....	966	35	42	40	43	40
Dexter, Mo.....	Harlingen, Tex.....	972	44	42	40	43	40
Little Rock, Ark.....	El Paso, Tex.....	976	35	42	40	43	41
Pine Bluff, Ark.....	do.....	981	35	42	40	43	41
Kinder, La.....	do.....	985	35	42	40	43	41
Average relation to present rates (percent).....			100	96.8	89.2	100.3	94.2

¹ The Adams-Bank and Southwestern scales extended beyond 800 miles and 700 miles, respectively, at same rate of progression appearing in last several mileage blocks of these scales.

² Rate on lumber, etc., other than yellow pine and cypress is 18 cents.

³ Rate on lumber, etc., other than yellow pine and cypress is 22 cents.

Tariff authorities.—Agent J. R. Peel's I. C. C. No. 3283. Agent J. R. Peel's I. C. C. No. 3473. Agent J. R. Peel's I. C. C. No. 3500. Agent J. R. Peel's I. C. C. No. 3454.

TABLE 85.—Rates on lumber, in carloads, in Mountain-Pacific Territory to destinations in the State of California compared with rates under Official and Southern Territory lumber scales

[Rates shown include the *Ex Parte 125* increases. Rates in cents per hundred pounds]

From—	To—	Short-line distances (miles)	Present rates	Mileage scales			
				Southern		Official	
				Adams-Bank ¹	Com-promise	Class 25 K	Class 22.5
Klamath Falls, Oreg.	Dorris, Calif.	22	4. 25	7	5. 5	9	9
Do.....	Jerome, Calif.	40	6. 5	8	6. 5	10. 5	10
Do.....	Grass Lake, Calif.	61	7. 5	10. 5	8	13	12
Do.....	Upton, Calif.	90	10	12	9	15	13
Do.....	Grenada, Calif.	110	11. 5	13	10	16	14
Do.....	Delta, Calif.	133	14	15	11. 5	17	16
Grants Pass, Oreg.	Mount Shasta, Calif.	138	12	15	11. 5	17	16
Klamath Falls, Oreg.	Matheson, Calif.	162	14	16	13	18	17
Grants Pass, Oreg.	Sims, Calif.	166	17	16	13	18	17
Klamath Falls, Oreg.	Cottonwood, Calif.	189	16	17	14	19	18
Grants pass, Oreg.	Dorris, Calif.	192	19. 5	17	14. 5	19	18
Klamath Falls, Oreg.	Rud Bluff, Calif.	206	16	18	15	20	19
Grants Pass, Oreg.	Redding, Calif.	217	17	18	16	20	19
Klamath Falls, Oreg.	Chico, Calif.	245	16	20	17	22	20
Do.....	Biggs, Calif.	268	16	21	18	22	21
Do.....	Marysville, Calif.	289	16	22	19	23	22
Do.....	Lincoln, Calif.	313	16	23	20	23	22
Do.....	Sacramento, Calif.	329	16	24	21	24	23
Do.....	Lodi, Calif.	365	18	25	22	25	24
Grants Pass, Oreg.	Polk, Calif.	382	19	26	24	26	25
Portland, Oreg.	Montague, Calif.	393	25	26	24	26	25
Klamath Falls, Oreg.	Lyoth, Calif.	394	22	26	24	26	25
Do.....	Modesto, Calif.	403	23	27	25. 5	26	25
Portland, Oreg.	Edgewood, Calif.	415	25	27	25. 5	26	25
Do.....	Likely, Calif.	431	25	28	26. 5	27	26
Grants Pass, Oreg.	Placerville, Calif.	434	23	28	26. 5	27	26
Klamath Falls, Oreg.	Merced, Calif.	439	26	28	26. 5	27	26
Grants Pass, Oreg.	Santa Rosa, Calif.	470	27	29	28	28	27
Klamath Falls, Oreg.	Madera, Calif.	472	28	29	28	28	27
Portland, Oreg.	Coram, Calif.	474	25	29	28	28	27
Klamath Falls, Oreg.	Fresuo, Calif.	494	2 8	29	28	29	27
Do.....	Selma, Calif.	509	29	29	28	29	28
Portland, Oreg.	Paxton, Calif.	523	25	30	29	30	29
Do.....	Tehama, Calif.	533	25	30	29	30	29
Klamath Falls, Oreg.	Tulare, Calif.	538	31. 5	30	29	30	29
Grants Pass Oreg.	Willits, Calif.	556	33	30	29	32	29
Portland, Oreg.	Chico, Calif.	561	25	32	30	32	30
Klamath Falls, Oreg.	Delano, Calif.	569	35	32	30	32	30
Seattle, Wash.	Montague, Calif.	574	33	32	30	32	30
Grants Pass, Oreg.	Visalia, Calif.	581	32. 5	32	30	33	30
Portland, Oreg.	Oroville, Calif.	585	25	32	30	33	30
Spokane, Wash.	Dorris, Calif.	586	49	32	30	33	30
Klamath Falls, Oreg.	Saco, Calif.	594	35	32	30	33	30
Seattle, Wash.	Edgewood, Calif.	596	33	32	30	33	30
Klamath Falls, Oreg.	Bakersfield, Calif.	601	35	33	31	33	31
Grants Pass, Oreg.	Strathmore, Calif.	602	34. 5	33	31	33	31
Portland, Oreg.	Marysville, Calif.	604	25	33	31	33	31
Seattle, Wash.	Likely, Calif.	612	33	33	31	33	31
Spokane, Wash.	Leaf, Calif.	613	49	33	31	33	31
Klamath Falls, Oreg.	Bealville, Calif.	628	37	33	31	34	32
Seattle, Wash.	Delta, Calif.	629	33	33	31	34	32
Spokane, Wash.	Bolam, Calif.	636	49	33	31	34	32
Portland, Oreg.	Sacramento, Calif.	644	25	34	32	35	32
Grants Pass, Oreg.	Bakersfield, Calif.	647	35	34	32	35	32
Portland, Oreg.	Polk, Calif.	651	25	34	32	35	32
Spokane, Wash.	Mount Shasta, Calif.	657	49	34	32	35	32
Seattle, Wash.	Redding, Calif.	668	33	34	32	35	33
Klamath Falls, Oreg.	Mojave, Calif.	669	37	34	32	35	33
Seattle, Wash.	Cottonwood, Calif.	685	33	35	33	36	34
Klamath Falls, Oreg.	Lancaster, Calif.	693	37	35	33	36	34
Portland, Oreg.	Clyde, Calif.	696	30	35	33	36	34
Spokane, Wash.	Delta, Calif.	697	49	35	33	36	34
Seattle, Wash.	Paxton, Calif.	704	33	35	33	36	34
Grants Pass, Oreg.	Guadalupe, Calif.	707	37	35	33	36	34
Klamath Falls, Oreg.	Ravenna, Calif.	716	37	35	33	36	34
Portland, Oreg.	Empire, Calif.	721	30	36	34	37	34

Footnotes at end of table.

TABLE 83.—Rates on lumber, in carloads, in Mountain-Pacific Territory to destinations in the State of California compared with rates under Official and Southern Territory lumber scales—Continued

[Rates shown include the *Ex Parte 125* increases. Rates in cents per hundred pounds]

From—	To—	Short-line distances (miles)	Present rates	Mileage scales			
				Southern		Official	
				Adams-Bank ¹	Com-promise	Class 25 K	Class 22.5
Spokane Wash.....	Coram, Calif.....	723	49	38	34	37	34
Klamath Falls, Oreg.....	Bartow, Calif.....	741	37	36	34	37	35
Seattle, Wash.....	Chico, Calif.....	742	33	36	34	37	35
Spokane, Wash.....	Anderson, Calif.....	746	49	36	34	37	35
Portland, Oreg.....	Merced, Calif.....	754	33	36	34	37	35
Klamath Falls, Oreg.....	Yermo, Calif.....	755	42	36	34	37	35
Grants Pass, Oreg.....	Searles, Calif.....	763	44	37	35	38	35
Seattle, Wash.....	Oroville, Calif.....	766	33	37	35	38	35
Spokane, Wash.....	Paxton, Calif.....	772	49	37	35	38	35
Seattle, Wash.....	Marysville, Calif.....	785	33	37	35	38	36
Portland, Oreg.....	Madera, Calif.....	787	35	37	35	38	36
Spokane, Wash.....	Belden, Calif.....	789	49	37	35	38	36
Klamath Falls, Oreg.....	Crucero, Calif.....	799	51	37	35	38	36
Do.....	Sands, Calif.....	809	51	35	36	39	37
Spokane, Wash.....	Chico, Calif.....	809	49	38	36	39	37
Grants Pass, Oreg.....	Glendale, Calif.....	811	37	38	36	39	37
Seattle, Wash.....	Roseville, Calif.....	819	33	38	36	39	37
Do.....	Sacramento, Calif.....	828	33	38	36	39	37
Spokane, Wash.....	Oroville, Calif.....	834	49	38	36	40	37
Klamath Falls, Oreg.....	Dawes, Calif.....	835	51	38	36	40	37
Grants Pass, Oreg.....	Marlboro, Calif.....	847	37	39	37	40	37
Seattle, Wash.....	Colfax, Calif.....	854	35	39	37	40	38
Klamath Falls, Oreg.....	Brant, Calif.....	855	51	39	37	40	38
Seattle, Wash.....	Clyde, Calif.....	877	38	39	38	41	38
Spokane, Wash.....	Sacramento, Calif.....	893	49	40	39	41	38
Do.....	Truckee, Calif.....	898	62	40	38	41	38
Seattle, Wash.....	Empire, Calif.....	902	38	40	39	42	39
Portland, Oreg.....	Bakersfield, Calif.....	918	42	40	39	42	39
Seattle, Wash.....	Merced, Calif.....	935	41	41	39	42	40
Spokane, Wash.....	Stockton, Calif.....	939	49	41	39	42	40
Grants Pass, Oreg.....	National City, Calif.....	947	37	41	39	42	40
Do.....	Mortmar, Calif.....	965	48	42	40	43	40
Seattle, Wash.....	Madera, Calif.....	988	43	42	40	43	40
Portland, Oreg.....	Eureka, Calif.....	975	49	42	40	43	40
Spokane, Wash.....	Oakdale, Calif.....	989	54	42	40	43	40
Portland, Oreg.....	Korblex, Calif.....	981	49	42	40	43	41
Grants Pass, Oreg.....	Niland, Calif.....	999	50	42	40	43	41
Average relation to present rates (percent).....			100	96.1	89.9	98.8	92.8

¹ Adams-Bank scale extended beyond 800 miles at same rate of progression appearing in last several mileage blocks.

² Minimum weight, 50,000 pounds.

³ Minimum weight, 40,000 pounds. Rate of 41 cents also in effect subject to minimum weight of 30,000 pounds.

⁴ Minimum weight 40,000 pounds. Rate of 50 cents also in effect subject to minimum weight of 30,000 pounds.

GENERAL CARLOAD MINIMUM WEIGHTS

From Truckee, Calif., Grants Pass and Klamath Falls, Oreg., 30,000 pounds. From Sand Point, Idaho, Portland, Oreg., Seattle, Spokane, and Tacoma, Wash.: In closed cars 36 feet or less in length, inside measurement, 38,000 pounds; for cars over 36 feet and not over 42 feet in length, 44,000 pounds; and for cars greater than 42 feet in length, 54,000 pounds. When cars are loaded to full visible capacity, charges are based on actual weight of the shipment but not less than 34,000 pounds. In open-top equipment the general carload minimum weight is 57,000 pounds.

TARIFF AUTHORITIES

Rates: Agent W. J. Bohon's I. C. C. No. 667; Agent J. P. Hayne's I. C. C. No. 1397; Agent J. P. Hayne's I. C. C. No. 1407.

Distances: Agent J. P. Hayne's I. C. C. No. 1261; Great Northern Ry. I. C. C. No. A-6710; Northern Pacific Ry. I. C. C. No. 9095; Spokane, Portland & Seattle Ry. I. C. C. No. 681; Union Pacific R. R. I. C. C. No. 970 (Oregon-Washington Railroad & Navigation Co. series).

TABLE 86.—Rates on lumber, in carloads, between points in Mountain-Pacific Territory, except to points in the State of California, compared with rates under various lumber scales

[Rates shown include the *Ex Parte 125* increases. Rates in cents per hundred pounds]

From—	To—	Short-line distances (miles)	Present rates	Mileage scales			
				Southern		Official	
				Adams-Bank ¹	Com-promise	Class 25 K	Class 22.5
Portland, Oreg.....	Fisher, Wash.....	19	5.5	6.5	4.5	9	8
Spokane, Wash.....	Hauser, Idaho.....	20	5.5	6.5	4.5	9	8
Truckee, Calif.....	Verdi, Nev.....	24	5.5	7.0	5.5	9	9
Sand Point, Idaho.....	Newport, Wash.....	29	7.5	7.5	5.5	9	9
Portland, Oreg.....	Mount Pleasant, Wash.....	32	5.5	7.5	6.5	10.5	10
Spokane, Wash.....	Coeur d'Alene, Idaho.....	33	7.5	7.5	6.5	10.5	10
Truckee, Calif.....	Reno, Nev.....	35	7.5	7.5	6.5	10.5	10
Sand Point, Idaho.....	Elk, Wash.....	46	7.5	9	7	12	11
Portland, Oreg.....	Carson, Wash.....	58	9.5	10	7.5	13	11
Sand Point, Idaho.....	Dean, Wash.....	61	7.5	10.5	8	13	12
Truckee, Calif.....	Fernley, Nev.....	68	15	10.5	8	13	12
Spokane, Wash.....	Sand Point, Idaho.....	69	7.5	10.5	8	13	12
Portland, Oreg.....	Lyle, Wash.....	78	9.5	12	8.5	14	13
Truckee, Calif.....	Hazen, Nev.....	80	18	11	8.5	14	13
Sand Point, Idaho.....	Lyons, Wash.....	81	14	12	9	14	13
Spokane, Wash.....	Denton, Idaho.....	88	12	12	9	15	13
Spokane, Wash.....	Cabinet, Idaho.....	101	16.5	13	10	16	14
Truckee, Calif.....	Churchill, Nev.....	108	20	13	10	16	14
Portland, Oreg.....	Warwick, Wash.....	116	13	14	10.5	16	15
Sand Point, Idaho.....	Canby, Wash.....	117	16	14	10.5	16	15
Truckee, Calif.....	Wabuska, Nev.....	120	23	14	10.5	16	15
Sand Point, Idaho.....	Downs, Wash.....	130	19	14	11	17	15
Truckee, Calif.....	Lovelock, Nev.....	136	23	15	11.5	17	16
Portland, Oreg.....	Sundale, Wash.....	141	18	15	12	18	16
Sand Point, Idaho.....	Odessa, Wash.....	145	21	15	12	18	16
Truckee, Calif.....	Rye Patch, Nev.....	158	24	15	12.5	18	17
Sand Point, Idaho.....	Marlin, Wash.....	161	24	16	13	18	17
Portland, Oreg.....	Alderdale, Wash.....	162	21	16	13	18	17
Truckee, Calif.....	Mill City, Nev.....	181	26	17	14	19	18
Sand Point, Idaho.....	Adrian, Wash.....	181	25	17	14	19	18
Portland, Oreg.....	Barger, Wash.....	199	22	17	14	19	18
Sand Point, Idaho.....	Quincy, Wash.....	207	26.5	18	15	20	19
Truckee, Calif.....	Winne-m-u-c-a, Nev.....	209	28	18	15	20	19
Portland, Oreg.....	Hover, Wash.....	220	22	18	16	20	19
Sand Point, Idaho.....	Columbia River, Wash.....	227	27.5	19	17	21	19
Tacoma, Wash.....	Moody, Oreg.....	234	26	19	17	21	20
Truckee, Calif.....	Iron Point, Nev.....	240	30	19	17	21	20
Portland, Oreg.....	Levey, Wash.....	245	23	20	17	22	20
Sand Point, Idaho.....	Zena, Wash.....	251	27.5	20	18	22	20
Tacoma, Wash.....	Dike, Oreg.....	255	32	20	18	22	20
Truckee, Calif.....	Battle Mountain, Nev.....	267	30	21	18	22	21
Portland, Oreg.....	Farrington, Wash.....	269	28	21	18	22	21
Spokane, Wash.....	Moody, Oreg.....	276	28	21	19	22	21
Sand Point, Idaho.....	Chelan, Wash.....	282	27.5	22	19	23	22
Portland, Oreg.....	McAdam, Wash.....	285	28	22	19	23	22
Truckee, Calif.....	Shoshone, Nev.....	290	30	22	19	23	22
Tacoma, Wash.....	Nena, Oreg.....	292	33	22	19	23	22
Spokane, Wash.....	Oakbrook, Oreg.....	310	30	23	20	23	22
Portland, Oreg.....	Benge, Wash.....	311	30	23	20	23	22
Sand Point, Idaho.....	Monse, Wash.....	315	27.5	23	20	23	22
Truckee, Calif.....	Palisade, Nev.....	317	30	23	20	23	22
Tacoma, Wash.....	Gateway, Oreg.....	323	33	24	20	24	23
Portland, Oreg.....	Lamont, Wash.....	335	30	24	21	24	23
Sand Point, Idaho.....	Okanogan, Wash.....	335	27.5	24	21	24	23
Truckee, Calif.....	Moleen, Nev.....	336	30	24	21	24	23
Spokane, Wash.....	Nathan, Oreg.....	344	30	25	21	25	23
Tacoma, Wash.....	Culver, Oreg.....	344	33	25	21	25	23
Truckee, Calif.....	Osino, Nev.....	356	30	25	22	25	23
Sand Point, Idaho.....	Janis, Wash.....	359	33	25	22	25	23
Tacoma, Wash.....	Redmond, Oreg.....	364	33	25	22	25	24
Portland, Oreg.....	Spokane, Wash.....	370	30	25	22	25	24
Spokane, Wash.....	Paxton, Oreg.....	370	30	25	22	25	24
Sand Point, Idaho.....	Oroville, Wash.....	380	33	25	23	25	24

NOTE.—For carload minimum weights, tariff authorities, and explanation of reference marks, see

TABLE 86.—Rates on lumber, in carloads, between points in Mountain-Pacific Territory, except to points in the State of California, compared with rates under various lumber scales—Continued

[Rates shown include the *Ex Parte 183* increases. Rates in cents per hundred pounds]

From—	To—	Short-line distances (miles)	Present rates	Mileage scales			
				Southern		Official	
				Adams-Bank ¹	Com-promise	Class 25 K	Class 22.5
Tacoma, Wash.....	Bend, Oreg.....	380	33	25	23	25	24
Spokane, Wash.....	Opal City, Oreg....	392	30	26	24	26	25
Truckee, Calif.....	Wells, Nev.....	399	30	26	24	26	25
Spokane, Wash.....	Weiser, Idaho.....	410	41.5	27	24.5	26	25
Spokane, Wash.....	Bend, Oreg.....	422	30	28	26.5	27	26
Spokane, Wash.....	Falks, Idaho.....	441	41.5	29	27.5	28	26
Spokane, Wash.....	Nampa, Idaho.....	470	41.5	29	28	28	27
Grants Pass, Oreg....	Reno, Nev.....	485	32	29	28	29	27
Spokane, Wash.....	Boise, Idaho.....	489	41.5	29	28	29	27
Portland, Oreg.....	do.....	493	41.5	29	28	29	27
Spokane, Wash.....	Orchard, Idaho....	503	45	29	28	29	28
Spokane, Wash.....	Reverse, Idaho....	535	45	30	29	30	29
Grants Pass, Oreg....	Wabuska, Nev.....	546	39	30	29	32	29
Spokane, Wash.....	Klamath Falls, Oreg.	564	45	32	30	32	30
Grants Pass, Oreg....	Mina, Nev.....	633	56	33	31	34	32
Grants Pass, Oreg....	Iron Point, Nev....	666	47	34	32	35	33
Grants Pass, Oreg....	Battle Mountain, Nev.	694	47	35	33	36	34
Portland, Oreg.....	Mina, Nev.....	736	57	36	34	37	34
Grants Pass, Oreg....	Fallside, Nev.....	744	47	36	34	37	35
Grants Pass, Oreg....	Boise, Idaho.....	788	41.5	37	35	38	36
Portland, Oreg.....	Dewey, Utah.....	815	50	38	36	39	37
Grants Pass, Oreg....	Wells, Nev.....	825	47	39	36	39	37
Portland, Oreg.....	Brigham, Utah....	829	50	38	36	40	37
Portland, Oreg.....	Cobre, Nev.....	860	50	39	37	40	38
Grants Pass, Oreg....	do.....	863	47	39	37	40	38
Spokane, Wash.....	Reno, Nev.....	863	62	39	37	40	38
Grants Pass, Oreg....	Shafter, Nev.....	876	57	39	38	41	38
Klamath Falls, Oreg..	Roach, Nev.....	883	53.5	40	38	41	38
Spokane, Wash.....	Wabuska, Nev.....	895	69	40	38	41	38
Portland, Oreg.....	Midvale, Utah....	897	50	40	38	41	38
Klamath Falls, Oreg..	Sloan, Nev.....	907	53.5	40	39	42	39
Grants Pass, Oreg....	Wendover, Utah....	917	57	40	39	42	39
Spokane, Wash.....	Schurz, Nev.....	922	74	41	39	42	39
Klamath Falls, Oreg..	Las Vegas, Nev....	929	53.5	41	39	42	40
Portland, Oreg.....	Ironton, Utah....	934	50	41	39	42	40
Spokane, Wash.....	Gillis, Nev.....	935	74	41	39	42	40
Klamath Falls, Oreg..	Ute, Nev.....	965	53.5	42	40	43	40
Spokane, Wash.....	Mina, Nev.....	984	81	42	40	43	41
Klamath Falls, Oreg..	Rox, Nev.....	990	53.5	42	40	43	41
Seattle, Wash.....	Dewey, Utah.....	997	50	42	40	43	41
Average relation to present rates (percent).....			100	74.2	67	78.1	73.4

NOTE.—For carload minimum weights, tariff authorities, and explanation of reference marks, see table 85.

TABLE 87.—*Relationships of intraterritorial mileage scales and Southwestern and Mountain-Pacific group rates on lumber, in carloads*¹

[Official Territory voluntary scale=100]

Official:		
Voluntary basis ²	-----	100
Prescribed basis ³	-----	107
Southern:		
Approved scale: ⁴		
Single line	-----	102
Joint line	-----	103
Voluntary scale ⁵	-----	92
Southwestern:		
Voluntary scale ⁶	-----	98
Average of group rates ⁷	-----	106
Mountain-Pacific:		
To California points ⁸	-----	108
To other than California points ⁹	-----	136

¹ Based on the sum of the rates, including *Ex Parte 123* increases, at each 25-mile interval up to 700 miles, except as shown in footnotes 7, 8, and 9.

² Class 22.5, voluntary basis adopted by the carriers in 1940 as a truck competitive measure. Minimum weight 36,000 pounds.

³ Class 25 (later class 25 K under *Ex Parte 123*) prescribed in 214 I. C. C. 493, and 219 I. C. C. 427 (1936). Minimum weight 36,000 pounds.

⁴ Commodity scale approved in 157 I. C. C. 280 (1929). Minimum weight 34,000 pounds.

⁵ Commodity scale voluntarily adopted by the carriers in 1940. Minimum weight 34,000 pounds. No attempt is made here to compare levels of the group rates which may vary from the scale.

⁶ Commodity scale voluntarily adopted by the carriers in 1940 (amended in 1942) as a truck competitive measure. Minimum weight 34,000 pounds.

⁷ Average relation of rates shown in table 84 to rates for corresponding distances under column 22.5 under the Eastern scale.

⁸ Average relation of rates shown in table 85 to rates for corresponding distances under column 22.5 under the Eastern scale.

⁹ Average relation of rates shown in table 86 to rates for corresponding distances under column 22.5 under the Eastern scale.

M. PLASTER AND PLASTERBOARD

Plaster and plasterboard are generally treated together in rate adjustments and rate cases because they are manufactured usually in the same plants, although not all plants producing plaster manufacture plasterboard. Plasterboard is manufactured by rolling plaster between sheets of felt, fiberboard, strawboard, or similar material. It competes with other types of wallboard.

OFFICIAL TERRITORY

Within Central Territory plaster and plasterboard rates are on the basis of a single scale approved by the Commission in Docket No. 12704, *Plaster and Gypsum Products*, 122 I. C. C. 747 (1927). Within Trunk-Line Territory specific rates on plaster are published from producing points, and, according to the Commission, "roughly approximate the 12704 basic scale." (235 I. C. C. 399, 402). In Trunk-Line Territory, however, plasterboard takes rates which are from 1 to 3 cents over the plaster rates.

From Central Territory to Trunk-Line and New England rates on both plaster and plasterboard are on the basis of 83½ percent of sixth class.

SOUTHERN TERRITORY

Within the South specific rates on plaster are not generally published. The basis is twelfth class, 17.5 percent of first class, published as exceptions to Southern Classification. Plasterboard, in the South, moves on tenth class—22.5 percent of first class.

WESTERN TRUNK-LINE TERRITORY

Within Western Trunk-Line Territory the rates on plaster are, generally speaking, on the basis of the revised 12704 scale, approved by the Commission in *Plaster, Plasterboard, and Related Articles*, 218 I. C. C. 406 (1936). The revised 12704 scale is higher than the original scale by 25 percent, subject to a maximum increase of 5 cents. Numerous exceptions to this basis exist, however. On plasterboard the rates are on the basis prescribed in *Gypsum Association v. Atchison, Topeka and Santa Fe Railway Co.*, 203 I. C. C. 429 (1934). This scale applies in zones I and II, with arbitraries for distances west of zone II.

SOUTHWESTERN TERRITORY

In this area plaster rates are on the same basis as applies in Western Trunk-Line Territory—the revised 12704 basis. Plasterboard is on the basis of 20 percent of the originally prescribed Southwestern first-class rates. This basis was approved in *Plaster, Plasterboard, and Related Articles*, 218 I. C. C. 406 (1936), although there are several exceptions to this basis.

MOUNTAIN-PACIFIC TERRITORY

No scale of general application on plaster or plasterboard applies throughout Mountain-Pacific Territory. In *Nephi Plaster and Manufacturing Co. v. Denver & Rio Grande Western Railroad Co.*, 87 I. C. C. 159 (1924), a scale on plaster of limited application in Mountain-Pacific Territory was prescribed by the Commission.

SUMMARY

The relationships of the various scales on plaster described above are shown in table 88. A similar comparison of the scales on plasterboard is shown in table 89. In both cases the Eastern Territory scales are the lowest.

TABLE 88.—Relationships of intraterritorial mileage scales on plaster, in carloads ¹

[Minimum weight, 40,000 pounds except as noted in Note 5]

[Eastern Territory scale=100]

Eastern ²	100
Southern ³	128
Western (including Southwest) ⁴	124
Mountain-Pacific ⁵	142

¹ Based on the sum of the rates, including *Ex Parte* 125 increase, at each 25-mile interval up to 700 miles.

² Approved in 123 I. C. C. 747 for limited application in Central Territory; at present the general basis within Central Territory.

³ 17½ percent of first class.

⁴ Approved in 218 I. C. C. 406.

⁵ Prescribed in 87 I. C. C. 159 for limited territory. Minimum weight 60,000 pounds.

TABLE 89.—Relationships of intraterritorial mileage scales on plasterboard, in carloads ¹

[Minimum weight, 40,000 pounds]	
[Eastern Territory scale=100]	
Eastern ² -----	100
Southern ³ -----	161
Southwestern ⁴ -----	159
Western Trunk-Line zones I and II (including extended zone C—Wisconsin) ⁵ -----	151

¹ Based on the sum of the rates, including *Ex Parte 123* increases, for each 25 miles up to 700 miles.

² Approved in 122 I. C. C. 747 for limited application in Central Territory; later voluntarily spread throughout the territory.

³ Approved in 218 I. C. C. 406, on basis of 22.5 percent of first class.

⁴ On basis of 20 percent of first-class rates originally prescribed in *Consolidated Southwestern Cases*. Basis approved in 218 I. C. C. 406.

⁵ Prescribed in 203 I. C. C. 429 (differentials not shown here for hauls in Western Trunk-Line zones III and IV).

N. PULPWOOD

Pulpwood is produced in various parts of the country, principally from forest land that has been cut over for more valuable timber. Pulpwood moves in large volume, and due to its low value and favorable transportation characteristics it moves on extremely low commodity rates. The low rates can be justified in many instances only on the theory that there will be an out-bound movement of woodpulp or its products. The carriers are not anxious to establish joint rates that will result in the movement of pulpwood to mills not on their own lines, and when joint rates are established they are generally higher than the single-line basis.

OFFICIAL TERRITORY

In New England the carriers maintain single-line mileage scales on pulpwood, but apparently none of these scales has been prescribed by the Interstate Commerce Commission. The New England scales used in our comparisons are those of the Maine Central and the Boston and Maine.

In Trunk-Line Territory the basis most widely used is that prescribed by the Interstate Commerce Commission in *West Virginia Pulp & Paper Co. v. Baltimore & Ohio Railroad Co.*, 104 I. C. C. 495 (1925). Both single-line and joint-line scales were prescribed in this case. Arbitraries were also authorized for hauls over several short lines. Rates on these scales are generally in effect in the territory involved, although rates on a lower basis have been voluntarily established by the carriers for hauls of moderate length. In addition to the scale prescribed in the above case, there is a lower scale published by the Delaware & Hudson, shown in the rate level comparisons in table 90. The Chesapeake & Ohio and the Norfolk & Western have adopted the scale widely used in the South which is known as the Roanoke Rapids scale. To points in Virginia, on intrastate traffic, there are also rates in effect based on two joint-line scales prescribed by the Virginia Commission in 1933.

SOUTHERN TERRITORY

In Southern Territory there are numerous individual-line mileage scales of pulpwood rates which, for the most part, were voluntarily established. There are also joint rates in the form of specific point-to-point rates, which are not constructed on any uniform basis. The basis of rates most widely used in the South for single-line hauls is the Roanoke Rapids scale, which was first established in 1909 by the Seaboard Air Line Railway. The Roanoke Rapids scale is also often used as a standard for proportional rates to junction points for application on traffic destined to points on other lines. There are some rates, however, which are on the basis of the scale known as the Canton scale, which was established by the Southern Railway and which is higher than the Roanoke Rapids scale. A still higher scale, known as the Kingsport scale, has been used by the Southern Railway as a measure of normal joint-line rates from points on its line to Kingsport, Tenn.

Another joint-line scale which might be considered a Southern scale applies from the South to border territory in Virginia. This scale was prescribed by the Commission in *West Virginia Pulp and Paper Co. v. Southern Railway Co.*, 96 I. C. C. 244 (1925). The scale applies from points in Virginia, North Carolina, South Carolina, Georgia, and Tennessee to various points in Virginia.

In the past, the intrastate rates in the South on pulpwood have generally been on the same basis as the interstate rates. In *Ex Parte 123* the Interstate Commerce Commission authorized a 10-percent increase in the interstate rates on pulpwood as part of a general increase in rates. The States of Alabama and Georgia did not authorize a similar increase of the intrastate rates on pulpwood, and North Carolina and Tennessee only authorized an increase of 5 percent. In these States, therefore, the intrastate rates on pulpwood are on a lower basis than the interstate rates.

WESTERN TRUNK-LINE TERRITORY

Most of the pulpwood produced in Western Trunk-Line Territory is produced in the States of Michigan, Wisconsin, and Minnesota. Most of the interstate rates in this area are on single-line mileage scales with combination rates applying on hauls over two or more railways. Three single-line scales applying in this area are listed in table 90. Another scale, known as the Minnesota Proportional Scale was prescribed by the Interstate Commerce Commission in *Pulp and Paper Manufacturers' Traffic Association v. Chicago, Milwaukee and St. Paul Railway Co.*, 27 I. C. C. 83 (1913), for the purpose of constructing combination rates from points in Minnesota to destinations in Wisconsin and the Upper Peninsula of Michigan.

SOUTHWESTERN TERRITORY

Rates on pulpwood in Southwestern Territory have not been prescribed by the Commission. Some of these rates are published as single-line mileage scales; others as specific rates with blanket application from numerous origins; others as specific rates which are based on mileage scales; and others as specific proportional rates to junction points for application on traffic destined to points on other lines.

MOUNTAIN-PACIFIC TERRITORY

Several different scales of rates on pulpwood apply in the Pacific Northwest. Most of these were voluntarily adopted, but in *Wood Rates between North Pacific Coast Points*, 61 I. C. C. 159 (1921), a single-line mileage scale was prescribed on wood, including pulpwood, for application between the States of Washington, Oregon, and Idaho.

SUMMARY

Rates on pulpwood are constructed on no consistent plan or level within the various rate territories. Although there are some prescribed scales of limited application, most of the rates are carrier-made. The more important scales are compared in table 90. Rates on pulpwood are low, with the lowest bases prevailing in the Southwest. The Roanoke Rapids scale, widely used in the South, is also one of the lowest scales. A number of scales show rates on a per cord basis. These rates were converted to rates in cents per hundred pounds in order to compare them with other scales. The weights used to convert the rates were obtained from correspondence with the railroads concerned, or, in one instance, were obtained from information in a reported decision of the Commission.⁹

TABLE 90.—*Relationships of intraterritorial mileage scales on pulpwood, in carloads*¹

[New England Territory scale=100]

EASTERN OR OFFICIAL TERRITORY SCALES

New England Territory:	
Minimum 70,000 pounds (single line) ² -----	100
Minimum 40,000 pounds (single line) ³ -----	123
Trunk-Line Territory:	
Docket 14883 single line ⁴ -----	172
Docket 14883 joint line ⁴ -----	191
Delaware & Hudson R. R. (single line) ⁵ -----	163
Chesapeake & Ohio and Norfolk & Western Ry. (single line) ⁶ -----	64
Virginia intrastate: ⁷	
Two-line hauls-----	139
Hauls over more than two lines-----	149

SOUTHERN TERRITORY SCALES

Roanoke Rapids (single line) ⁸ -----	64
Canton, N. C.-Bristol, Va. (single line) ⁹ -----	107
Kingsport, Tenn. (joint line) ¹⁰ -----	142
Docket 14358 (joint line) ¹¹ -----	167

¹ Based on the sum of the rates, including *Ex Parte 123* increases, at each 25-mile interval up to 300 miles.
² Single-line mileage scales of Maine Central R. R. and Boston & Maine R. R., which apply on both interstate and intrastate traffic, minimum weight 70,000 pounds.
³ Single-line mileage scales of Maine Central R. R. and Boston & Maine R. R. which apply on both interstate and intrastate traffic, minimum weight 40,000 pounds.
⁴ Prescribed in 104 I. C. C. 495 for interstate application between various points in Trunk-Line Territory. Minimum weight 40,000 pounds.
⁵ Single-line scale of Delaware & Hudson R. R., minimum weight depending upon type and size of car used.
⁶ Single-line scale of the Norfolk & Western Ry., applicable on intrastate traffic to Bristol, Va., Buena Vista, Va., and Hopewell, Va. Minimum 11 to 14 cords depending upon size of equipment used.
⁷ Joint-line scales prescribed by the Virginia commission in cases 5159 and 5162 (1933), for application on intrastate traffic to Covington, Big Island, and Coleman, Va. Minimum weight 40,000 pounds.
⁸ Single-line scale that has general application in Southern Territory. Minimum 10 or more cords, depending upon the destination.
⁹ Single-line scale. Normal basis of Southern Ry to Canton, N. C. and Bristol, Va., minimum weight 40,000 pounds.
¹⁰ Joint-line scale. Normal basis of Southern Ry. to Kingsport, Tenn., minimum weight 40,000 pounds.
¹¹ Prescribed in 96 I. C. C. 244 for joint-line application from points in Virginia, North Carolina, South Carolina, Georgia, and Tennessee to points in Virginia. Minimum weight 40,000 pounds.

⁹ Scales of Southern Pacific Ry. in Oregon. See 118 I. C. C. 95, 97 (1925).

TABLE 90.—*Relationships of intraterritorial mileage scales on pulpwood, in carloads—Continued*

[New England Territory scale=100]

WESTERN TRUNK-LINE TERRITORY SCALES

Michigan-Wisconsin (single line) ¹²	101
Minnesota (Chicago & North Western-Chicago Milwaukee, St. Paul & Pacific) (single line) ¹³	118
Minnesota (Chicago, Milwaukee, St. Paul & Pacific) (single line) ¹⁴	121
Minnesota proportional (single line) ¹⁵	125

SOUTHWESTERN TERRITORY SCALES

Missouri Pacific-St. Louis Southwestern interstate (single line) ¹⁶	55
Missouri Pacific-St. Louis Southwestern intrastate (single line) ¹⁶	54

MOUNTAIN-PACIFIC TERRITORY SCALES

Idaho-Oregon-Washington interstate (single line) ¹⁷	96
Washington intrastate (single line) ¹⁸	91
Oregon intrastate (except Southern Pacific) (single line) ¹⁹	122
Southern Pacific Oregon scales, viz. (single line): ²⁰	
Intrastate.....	102
Interstate (softwood).....	114
Interstate (hardwood).....	126

¹² Single-line scales of Chicago & North Western Ry. and Chicago, Milwaukee, St. Paul & Pacific R. R. which apply on intrastate and interstate traffic within and between points in the States of Michigan and Wisconsin.

¹³ Single-line scales of Chicago & North Western Ry. (interstate and intrastate) and Chicago, Milwaukee, St. Paul & Pacific R. R. (intrastate only), applicable between points in Minnesota. Minimum weight 50,000 pounds.

¹⁴ Single-line scale of Chicago, Milwaukee, St. Paul & Pacific R. R., applicable on interstate traffic between points in Minnesota. Minimum weight 50,000 pounds.

¹⁵ Prescribed in 27 I. C. C. 83. Single-line scale which has application from points in Minnesota to Minnesota Transfer, Minn., and other gateways on traffic destined to points in Wisconsin and the upper peninsula of Michigan. Minimum weight 40,000 pounds.

¹⁶ Single-line scales of Missouri Pacific R. R. and St. Louis Southwestern Ry., applicable on traffic to Bastrop, La., Camden, Ark., etc. Minimum weight 13 to 17 cords depending upon size and type of car used. Scale extended from 280 to 300 miles.

¹⁷ Prescribed in 61 I. C. C. 159. Minimum depends upon size and type of equipment used.

¹⁸ Single-line scale applicable on Washington intrastate traffic, minimum depending upon size and type of car used.

¹⁹ Single-line scale applicable on Oregon intrastate traffic (except Southern Pacific), minimum depending upon size and type of car used.

²⁰ Single-line scales of the Southern Pacific Ry. in Oregon, minimum depending upon size and type of equipment used.

O. ROAD AGGREGATES OR ROAD-BUILDING MATERIALS

Road aggregates or road-building materials fall into four different groups so far as their treatment for rate-making purposes is concerned. These are: (1) Sand, gravel, crushed stone and slag; (2) asphalt rock, asphaltic sandstone and limestone; (3) crushed stone or slag mixed with asphaltum, oil, and lime; and (4) bituminous rock. The rates on the sand and gravel group are the lowest, and the rates on the other commodity groups are made relatively higher to reflect their higher value. Generally speaking, the movement of the group-I commodities is for short distances, whereas other commodities move for longer distances. Minimum carload weights on road-building materials, except in Mountain-Pacific Territory, are generally 90 percent of the marked capacity of the car, except that when the car is loaded to full visible capacity the actual weight governs.

OFFICIAL TERRITORY

Six scales have been prescribed on sand, gravel, crushed stone and slag for application in Official Territory. Rates on sand and gravel from western Pennsylvania to destinations in Ohio, New York, and

West Virginia were prescribed in *Pennsylvania Sand and Gravel Producers Association v. Baltimore and Ohio R. R. Co.*, 104 I. C. C. 717 (1925). This scale, known as the Central Territory scale, was later prescribed from points in Ohio and West Virginia to points in Pennsylvania and West Virginia in *Brilliant Sand Co. v. Baltimore and Ohio R. R. Co.*, 139 I. C. C. 339 (1928). Still later the scale was modified on crushed stone, from three points in Pennsylvania, and on slag from Midland and Sharpsville, Pa., and Weirton, W. Va., to certain destinations in Ohio, and also on crushed stone, gravel, sand and slag between points in Ohio. See *Rates on Crushed Stone, Gravel, Sand and Slag in Ohio*, 191 I. C. C. 206 (1933). This modified scale averaged about 5 percent higher than the former scale. In *St. Joseph Lead Co. v. Baltimore and Ohio R. R. Co.*, 209 I. C. C. 623 (1935), a lower level was prescribed from Missouri, Indiana, and Illinois to Illinois which averaged about 10 percent less than the Central Territory level. Two scales were approved for application between stations on the Boston and Maine Railroad in New England, New York, and Canada, one scale on run-of-bank gravel, common building sand, and on coal ashes and cinders, and another, 10 cents per ton higher, on stone dust, screened or crushed gravel, slag, and crushed or broken stone. See *Road Building Materials, Gravel, Slag, Stone, etc., between New England, New York, and Canadian Points*, 155 I. C. C. 407 (1929). The rates for run-of-bank gravel averaged approximately the same as the Central Territory single-line scale. The highest level of rates on road materials in Official Territory was prescribed for application in Trunk-Line Territory in *Buckland v. Boston and Albany R. R. Co.*, 139 I. C. C. 88 (1928), and other cases. This scale averaged about 10 percent higher than the Central Territory level.

No rates have been prescribed on asphalt rock, asphaltic sandstone or asphaltic limestone in Official Territory.

A scale was prescribed on crushed stone or slag, coated with oil, asphaltum, or tar, from Shaw Junction, Pa., and Youngstown, Ohio, to certain destinations in New York, Ohio, Pennsylvania, and West Virginia in *Interstate Amiesite Co. v. Akron, Canton and Youngstown Ry. Co.*, 173 I. C. C. 456 (1931). This was the lowest scale prescribed on this material in any territory.

No rates have been prescribed on bituminous rock within Official Territory.

SOUTHERN TERRITORY

Single-line and joint-line scales of rates were prescribed on sand, gravel, crushed stone and slag throughout the South in *Rates on Chert, Clay, Sand and Gravel within State of Georgia*, 122 I. C. C. 133 (1927). The single-line scale approximated 98 percent of the Central Territory scale. The carriers have reduced these rates by amounts greater than the increases authorized under *Ex Parte 115* and *Ex Parte 123*. This action resulted in a level approximating 95 percent of the Central Territory level.

On asphaltic limestone, which originates only at three points in northern Alabama, rates were prescribed on a level approximating 120 percent of the sand and gravel rates. See *Colbert Limerock Asphalt Co. v. Alabama Central R. R. Co.*, 129 I. C. C. 177 (1927).

A level of rates on asphaltic sandstone, higher than applicable on asphaltic limestone, but lower than applicable on crushed stone or

slag mixed and coated with asphaltum and lime, has been voluntarily established from certain producing points in Alabama and Kentucky.

Single-line and joint-line scales were prescribed on crushed stone or slag mixed and coated with asphaltum and lime in *Interstate Amiesite Co. v. Aberdeen & Rockfish R. R. Co.*, 172 I. C. C. 100 (1931), which averaged approximately 143 percent of the single- and joint-line scales prescribed on sand and gravel.

Although no rates were prescribed on bituminous rock, the Southern carriers have voluntarily published single-line and joint-line rates. The single-line scale is 162 percent of the corresponding sand and gravel scales. The joint-line scale is 158 percent of the joint-line rates on sand and gravel.

WESTERN TRUNK-LINE TERRITORY

Three scales were prescribed on sand, gravel, etc., within Western Trunk-Line Territory. A scale to apply from Quincy, Ill., to Iowa, was prescribed in *Keokuk Chamber of Commerce v. Chicago, Burlington and Quincy R. R. Co.*, 153 I. C. C. 382 (1929). This scale was approximately 5 percent higher than the Central Territory level, and slightly higher than the Southern and Southwestern levels. Between Kansas and Missouri, single-line and joint-line scales were prescribed in *Clay County Crushed Rock Co. v. Atchison, Topeka and Santa Fe Ry. Co.*, 144 I. C. C. 355 (1928). Rates under the single-line scale averaged approximately the same as under the Central Territory scale. Between Minnesota, North Dakota, and South Dakota, single-line and joint-line scales were prescribed in *Hopeman Material Co. v. Northern Pacific Ry. Co.*, 98 I. C. C. 361 (1925), and *American Sand and Gravel Co. v. Chicago & North Western Ry. Co.*, 88 I. C. C. 1 (1924). The single-line scale averaged approximately 118 percent of the Central Territory scale. This was the highest scale prescribed within any territory.

No rates have been prescribed or published on asphalt rock, asphaltic sandstone and limestone within Western Trunk-Line Territory.

There are no prescribed rates on crushed stone or slag, mixed with asphaltum, oil, and lime, although the carriers have established various point-to-point rates on a basis slightly higher than applicable on sand and gravel.

No rates have been prescribed and no commodity rates are published on bituminous rock within Western Trunk-Line Territory.

SOUTHWESTERN TERRITORY

One single-line and one joint-line scale was prescribed on sand, gravel, etc., in Docket No. 17000, *Rate Structure Investigation, Part 11, Sand and Gravel*, 155 I. C. C. 247 (1929), and *Rate Structure Investigation, Part 11-A, Rates on Sand, Gravel and Crushed Stone, from and to Points in Kansas and Missouri*, 177 I. C. C. 621 (1931). These rates were slightly lower than the Central Territory level. The carriers have voluntarily reduced these rates so that the single-line scale is approximately 81 percent and the joint-line scale 78 percent of the Central Territory level.

On asphalt rock and stone, partially asphalt-covered, single- and joint-line scales were prescribed in *Alabama Rock Asphalt v. Abilene*

and Southern Ry. Co., 176 I. C. C. 555 (1931), which result in rates approximately 120 percent of the prescribed rates on sand and gravel within the Southwest.

No rates have been prescribed on finished asphalt-coated stone and bituminous rock, but the carriers voluntarily published the same scale as prescribed in the *Alabama Rock case, supra*, which made these rates approximately 120 percent of the prescribed sand and gravel rates. However, these rates were reduced by the carriers from Oklahoma to Texas to a level approximating 117 percent of the present or reduced sand and gravel rates.

MOUNTAIN-PACIFIC TERRITORY

No uniform basis or scale of rates has been prescribed or voluntarily established on road-building materials for general application throughout Mountain-Pacific Territory. In fact, there is no absolute uniformity in all instances in the rates applying even over the same railroad or within the same State. These commodities are usually found in close proximity to the points where they are used and the movement is therefore either by truck or for comparatively short hauls by rail. Since this situation is more or less general in this territory the preponderance of movement is intrastate. While a considerable number of different distance scales are in effect in this territory, there are numerous point-to-point rates which are almost invariably lower than the scale rates and apparently move the larger volume of the tonnage. These point-to-point rates bear no definite relationship to other rates or to each other. They were established to meet existing competitive conditions in each instance.

Table 91 shows numerous point-to-point rates in Mountain-Pacific Territory on sand, gravel, and crushed stone, compared with rates for the same distances under the Central Territory level. It shows that some of the rates are lower and others are higher than the Central Territory level.

TABLE 91.—Statement comparing representative point-to-point rates on sand, gravel, and crushed stone in Mountain-Pacific Territory with the scale usually observed within Central Freight Association Territory

[Rates are in cents per ton of 2,000 pounds]

From—	To—	Specific rate ¹	Central Freight Association levels ²	Distance, miles
Pasco, Wash.....	Athena, Oreg.....	60	88	48
Do.....	Pendleton, Oreg.....	60	88	54
Umatilla, Oreg.....	Walla Walla, Wash.....	70	88	58
Attalia, Oreg.....	Athena, Oreg.....	60	88	60
Do.....	Pendleton, Oreg.....	60	99	65
Ogden, Utah.....	Weston, Idaho.....	150	99	65
Umatilla, Oreg.....	Valley Grove, Wash.....	90	99	66
Ogden, Utah.....	Dayton, Idaho.....	180	99	71
Umatilla, Oreg.....	Dayton, Wash.....	120	110	97
Ogden, Utah.....	Virginia, Idaho.....	210	110	100
Do.....	Inkam, Idaho.....	240	132	122
Do.....	Tyhee, Idaho.....	260	132	140
Do.....	Aiken, Idaho.....	280	143	162
Do.....	Wapello, Idaho.....	220	143	164
Do.....	Sterling, Idaho.....	300	154	185

¹ W. J. Bohon's I. C. C. No. 660, and Union Pacific Railroad Company, I. C. C. No. 4371.

² Prescribed in 104 I. C. C. 717 (1925), including *Ex Parte 115* and *Ex Parte 123* increases.

Tables 92 and 93, which compare intraterritorial levels of rates on road-building materials, indicate that the various scales obtaining within Mountain-Pacific Territory are relatively high. It will be observed that the different scales on uncoated sand, gravel, etc., range from 84 percent to 269 percent of the basic Central Freight Association Territory level. Table 93 reveals that the rates on asphalt or tar-coated gravel, sand, or stone in Mountain-Pacific Territory are considerably higher than apply on a similar description of traffic within Central Freight Association Territory, the former ranging from 109 percent to 326 percent of the latter. It should be observed, however, that the much higher levels in Mountain-Pacific Territory are subject to a minimum weight of 60,000 pounds as against a minimum weight of 90 percent of the marked capacity of the car in Central Territory.

The rates within Arizona and Colorado are more nearly related to the Southwestern adjustment than are the rates within or between other States within Mountain-Pacific Territory. Within the State of Arizona the rates for distances from 10 to 100 miles range from 5 to 10 cents per ton higher than the level prescribed in Docket 17000, part 11, supra, but for distances from 100 to 300 miles these rates are approximately the same as those prescribed for application within the Southwest. Between stations in Colorado south of Denver and east of the mountains a mileage scale reflecting 110 percent of the prescribed Southwestern scale is in effect.

Considering the numerous point-to-point rates and the several different scales applicable on the various descriptions and minimum weights the statement is warranted that the average level of the rates on road-building materials within Mountain-Pacific Territory is considerably higher, and less uniform, than within any other territory. It is particularly noticeable that no rates have been prescribed by the Interstate Commerce Commission to apply on these materials in this territory.

SUMMARY

Rates on road-building materials are, for the most part, based on distance scales. The levels of the various scales on sand, gravel, crushed stone, and slag, are shown in table 92. The lowest scales are the Southwestern voluntary scales. The Southern prescribed scales are slightly lower than the Central Territory basic scale; and the voluntary Southern scales are still lower, but not as low as the Southwestern voluntary scales, nor as low as the scale prescribed in Central Territory to destinations in Illinois. The highest levels are in Mountain-Pacific Territory, where many different levels of voluntarily established scales and of point-to-point rates are found.

Rates on other road-building materials are higher than on sand, gravel, crushed stone, and slag. Comparisons of intraterritorial levels on such road materials are shown in tables 93 and 94.

TABLE 92.—Relationships of intraterritorial mileage scales applicable on sand, gravel, crushed stone, and slag, in carloads ¹

	Percent of Central Territory, single line	Percent of Central Territory, joint line
Central (basic): ²		
Single line	100	
Joint line (119 percent of single line)		100
Central (Ohio) ³	105	88
Illinois ⁴	90	76
Trunk-Line: ⁵		
Single line	109	
Joint line (118 percent of single line)		
New England:		
Run-of-bank sand and gravel ⁶	100	84
Crushed stone, screened gravel, etc. ⁷	110	92
Southern:		
Prescribed: ⁸		
Single line	98	
Joint line (113 percent of single line)		93
Voluntary: ⁹		
Single line	95	
Joint line (110 percent of single line)		88
Southwestern:		
Prescribed: ¹⁰		
Single line	99	
Joint line (114 percent of single line)		94
Voluntary: ¹¹		
Single line	81	
Joint line (116 percent of single line)		78
Western Trunk-Line: Quincy, Ill.-Iowa ¹²	105	88
Kansas-Missouri: ¹³		
Single line	99	
Joint line (120 percent of single line)		99
Minnesota-North Dakota: ¹⁴		
Single line	118	
Joint line (116 percent of single line)		115
Minnesota-North and South Dakota: ¹⁵		
Single line	118	
Joint line (116 percent of single line)		115
Northern California: ¹⁶		
Single line	90	
Joint line (111 percent of single line) (minimum weight, 60,000 pounds)		84
Southern California: ¹⁷		
Single line (minimum weight, 40,000 pounds)	101	
Joint line (minimum weight, 40,000 pounds)		99
Colorado (intrastate): ¹⁸ Single line (minimum weight, 90 percent of marked capacity of car	109	
Colorado (interstate): ¹⁸ Single line (minimum weight, 40,000 pounds)	179	
Colorado-New Mexico: ¹⁸ Single line (minimum weight, 40,000 pounds)	169	

¹ Based on the sum of the rates, not including *Ex Parte 115* and *Ex Parte 123* increases, at each 10-mile interval up to and including 200 miles, except that the various scales applying within Mountain-Pacific Territory are current and are therefore compared with the Central Territory basic scales increased under *Ex Parte 115* and *Ex Parte 123*.

² Prescribed in 104 I. C. C. 717 (1925).

³ Prescribed in 191 I. C. C. 206 (1933), to Ohio.

⁴ Prescribed in 209 I. C. C. 623 (1935), 160 I. C. C. 507 (1930), 181 I. C. C. 373 (1932), and 188 I. C. C. 393 (1932).

⁵ Prescribed in 139 I. C. C. 88 (1928).

⁶ Approved in 155 I. C. C. 407 (1929).

⁷ Approved in 155 I. C. C. 407 (1929).

⁸ Prescribed in 122 I. C. C. 133 (1927).

⁹ Level voluntarily established by carriers.

¹⁰ Prescribed in 155 I. C. C. 247 (1929), 177 I. C. C. 621 (1931).

¹¹ Level voluntarily established by carriers.

¹² Prescribed in 153 I. C. C. 382 (1929), from Quincy, Ill., to points in Iowa. Scale started at 40 miles and ended at 185 miles. For purposes of comparison it has been graded back to 10 miles, and also extended to 200 miles.

¹³ Prescribed in 144 I. C. C. 355 (1928).

¹⁴ Prescribed in 98 I. C. C. 361 (1925).

¹⁵ Prescribed in 88 I. C. C. 1 (1924), and 98 I. C. C. 361 (1925).

¹⁶ Western Pacific Tariff 36-F, I. C. C. No. 260, and Pacific Freight Tariff Bureau Tariff No. 166-F, J. P. Haynes, agent (intrastate).

¹⁷ Scale not published, but used as a measure in establishing commodity rates.

¹⁸ The Denver and Rio Grande Western Railroad Company's I. C. C. No. 732.

TABLE 92.—Relationships of intraterritorial mileage scales applicable on sand, gravel, crushed stone, and slag, in carloads —Continued

	Percent of Central Territory, single line	Percent of Central Territory, joint line
Idaho-Montana—Oregon-Wyoming: ¹⁰ (minimum weight, marked capacity of car, but not less than 60,000 pounds).....	112	94
Idaho-Oregon-Washington ¹⁰ (minimum weight, 100,000 pounds).....	132	111
Oregon (intrastate): ¹⁰		
Single line.....	133	.....
Joint line (114 percent of single line).....	.....	127
Utah (inter- and intrastate): ¹¹ Single line (minimum weight, 46,000 pounds).....	106	.....
Washington-British Columbia, and Washington Interstate through British Columbia ¹²	269	225

¹⁰ Based on the sum of the rates, not including *Ex Parte 115* and *Ex Parte 123* increases, at each 10-mile interval up to and including 200 miles, except that the various scales applying within Mountain-Pacific Territory are current and are therefore compared with the Central Territory basic scales increased under *Ex Parte 115* and *Ex Parte 123*.

¹¹ Union Pacific Railroad Company's I. C. C. No. 4731.

¹² W. J. Bohon's I. C. C. No. 660.

¹³ The Denver and Rio Grande Western Railroad Company's I. C. C. No. 687.

NOTE.—In most instances the rates in Mountain-Pacific Territory applicable on sand, gravel, crushed rock and riprap, minimum weight, 100,000 pounds, also apply on crushed rock and sand, coated with oil, tar or asphaltum, straight or mixed carloads, minimum weight, 100,000 pounds. Higher rates in connection with a minimum weight of 60,000 pounds usually apply on the above-described coated material when shipped in straight carloads.

TABLE 93.—Relationships of intraterritorial mileage scales on crushed stone or slag, mixed and coated with oil, asphaltum, or tar, or with asphaltum and lime; and sand, gravel, and chert mixed and coated with asphaltum, oil, or tar, in carloads ¹

	Percent of Central Territory, single line	Percent of Central Territory, joint line
Central: ²		
Single line.....	100	.....
Joint line (110 percent of Central single line).....	.....	100
Southern: ³		
Single line.....	132	.....
Joint line (104 percent of Southern single line).....	.....	124
Idaho-Oregon-Washington ⁴ (minimum weight 100,000 pounds).....	120	109
Idaho-Oregon-Washington ⁴ (minimum weight 60,000 pounds).....	156	139
Washington-British Columbia and Washington interstate through British Columbia ⁴ (minimum weight 100,000 pounds).....	251	227
Washington-British Columbia and Washington interstate through British Columbia ⁴ (minimum weight 60,000 pounds).....	326	295

¹ Based on the sum of the rates, not including *Ex Parte 115* and *Ex Parte 123* increases, at each 10-mile interval up to and including 250 miles, except that the various scales applying within Mountain-Pacific Territory are current and are therefore compared with the Central Territory basic scales increased under *Ex Parte 115* and *Ex Parte 123*.

² Prescribed in 173 I. C. C. 456 (1931), for application on crushed stone or slag, coated with oil, asphaltum, or tar.

³ Prescribed in 172 I. C. C. 100 (1931), for application on crushed stone or slag mixed and coated with asphaltum and lime, also applicable on sand, gravel, and chert, mixed and coated with asphaltum, oil, or tar.

⁴ W. J. Bohon's I. C. C. No. 660. Applies also on sand, gravel, and crushed stone.

TABLE 94.—Relationships of intraterritorial mileage scales on asphaltic limestone and asphalt rock, in carloads ¹

	Percent of Southern Territory, single line	Percent of Southern Territory, joint line
Southern: ²		
Single line.....	100	.....
Joint line (103 percent of Southern single line).....	.....	100
Southwestern: ³		
Single line.....	111	.....
Joint line (102 percent of Southwestern single line).....	.....	110

¹ Based on the sum of the rates, not including *Ex Parte 115* and *Ex Parte 123* increases, at each 25-mile interval up to 1,000 miles.

² Prescribed in 129 I. C. C. 177 (1927), for application on limestone, broken, crushed, or ground, containing 2.5 percent or more of asphalt.

³ Prescribed in 176 I. C. C. 555 (1932), for application on asphalt rock, natural or coated with not to exceed 5 percent of road oil, crushed or ground, and on stone, coated with not to exceed 5 percent of road oil, crushed or ground, in straight or mixed carloads.

P. SALT

Common salt (sodium chloride) is produced at a relatively small number of points in the States of California, Kansas, Louisiana, Michigan, Nevada, New York, Ohio, Oklahoma, Texas, Utah, and West Virginia. Salt is not competitive with other commodities, but there is keen competition between the producers in each producing area, with the result that all producing points in each field are usually grouped and take the same rates, except for short hauls. There is also keen competition between the various producing fields and between the carriers serving them. The relation of the rates from the various fields is therefore of much importance to both producers and carriers.

Salt is used for human and animal consumption, and also as a raw material in the chemical industry, and as a preservative. The chemical industry is the largest user of salt; the packing industry the second.

OFFICIAL TERRITORY

In Docket 17000, *Rate Structure Investigation, Part 13, Salt*, 197 I. C. C. 115 (1933), the Commission prescribed 17.5 percent of the first-class rates on bulk salt, minimum weight, 80,000 pounds, for application in Official Territory. On package salt, minimum weight, 45,000 pounds, the basis prescribed was 22.5 percent of first-class. These rates are the lowest prescribed on salt in any of the territories. With few exceptions, the carriers have not deviated from the basis originally prescribed except to take advantage of the general increases in rates authorized in *Ex Parte 115* and *Ex Parte 123*.

SOUTHERN TERRITORY

No salt is produced in Southern Territory. In Docket 17000, part 13, the Commission prescribed 16 percent of first class on bulk salt, and 20 percent on package salt for application in Southern Territory. The percentages of first class are lower than the corresponding percentages in Official Territory, but the actual levels of the rates are higher than were prescribed for Official Territory. The present rates are the same as originally prescribed, with the addition of general increases authorized in *Ex Parte 115* and *Ex Parte 123*.

WESTERN TRUNK-LINE TERRITORY

Within zones I, II, and III of Western Trunk-Line Territory the rates prescribed in Docket 17000, part 13, on bulk salt and on package salt were on the basis of 17.5 percent and 22.5 percent, respectively, of the then existing first-class rates. From producing points in Kansas, however, to destinations in zone I and extended zone C in Wisconsin, the rates were to be on the basis of the above percentages of the zone I scale of first-class rates, and the resulting rates were to be held as maxima at intermediate points in zone II.

From points in Utah to zone-III destinations in Colorado, Wyoming, Nebraska, and South Dakota, the rates on bulk and package salt were prescribed on the basis of 17.5 percent and 22.5 percent, respectively, of the zone-III first-class rates.

As a result of motor-carrier competition the prescribed basis has not been maintained throughout Western Trunk-Line Territory. In *Salt from Kansas and Utah to Colorado, Wyoming, Kansas, Missouri, and New Mexico*, 251 I. C. C. 283 (1942), the Commission authorized rates on a somewhat lower basis, with the same rates applying on both bulk and package salt. These rates apply extensively throughout Western Trunk-Line Territory from Kansas and Utah producing points. Rates from Kansas producing points to Western Trunk-Line and Southwestern Territories are now before the Commission in Docket 28716, *Morton Salt Co. v. Alton Railroad Co.*

From Kansas producing points to Chicago the present rates are 26 cents on bulk salt, and 32 cents on package salt, whereas those originally prescribed, plus *Ex Parte 115* and *Ex Parte 123* increases, would be 35 cents and 41 cents, respectively. The lower basis is maintained more nearly to equalize with lower rates from Michigan and Ohio. The rates from Kansas points to destinations in Western Trunk-Line Territory directly intermediate to Chicago are held down by the low rates to Chicago.

SOUTHWESTERN TERRITORY

In Docket 17000, part 13, the Commission prescribed 16 percent of the then-existing first-class rates as maximum reasonable rates on bulk salt, and 20 percent on package salt, in Southwestern Territory. The basis prescribed on bulk salt has been generally maintained. On package salt, however, the rates have been lowered by the carriers, and the spread reduced from about 9 cents per hundred pounds to about 2 or 3 cents.

MOUNTAIN-PACIFIC TERRITORY

The highest level of salt rates prescribed in Docket 17000, part 13, supra, was for application within Mountain-Pacific Territory. This basis was 20 percent of Western Trunk-Line zone-III scale of first-class rates on bulk salt, and 25 percent on package salt, subject, however, to the rates found reasonable from Utah to zone III of Western Trunk-Line Territory as maxima at intermediate points in Mountain-Pacific Territory. This level approximates 174 percent of the Official Territory bulk-salt rates and 170 percent of the package-salt rates. A check of the current tariffs reveals that for the most part the present level within Mountain-Pacific Territory reflects the basis originally prescribed in Docket 17000, supra, including the general authorized increases. The carriers, however, have voluntarily established a considerable number of point-to-point rates which are lower than the prescribed basis, and which are said to have been influenced primarily by motor-carrier competition. The competitive rates in most instances are subject to minimum weights ranging from 30,000 to 60,000 pounds as compared with the prescribed minima of 45,000 and 80,000 pounds on package and bulk salt, respectively. Other rates somewhat lower than the prescribed basis have been established from Pacific coast producing points to points in the States of Arizona, California, Oregon, Washington, and border points within adjacent States. It appears that these latter rates are primarily controlled by market competition, the rates from the more distant producing points having been reduced to narrow the spread in the rates from the less distant

producing points. There is no uniformity reflected in any of these lower competitive rates, thus indicating that in each instance the particular rate has been established to meet an individual situation. In any event, it is correct to say that the general level of rates on salt in Mountain-Pacific Territory is considerably higher than within any other territory.

SUMMARY

Although published as commodity rates, the rates on salt in the various rate territories are related to actual or constructive first-class rates by definite percentages, insofar as they are on the basis prescribed by the Commission as maximum reasonable rates. The prescribed bases have been generally maintained except in Western Trunk-Line Territory, and to some extent in Mountain-Pacific Territory, and, on package salt, in Southwestern Territory. The lowest prescribed basis is found in Official Territory, and the highest in Mountain-Pacific Territory. Relative levels are shown in Tables 95 and 96.

TABLE 95.—Relationships of intraterritorial prescribed rates on bulk salt, in carloads¹

[Minimum weight, 80,000 pounds]

[Official Territory=100]

Official ² -----	100
Southern ³ -----	125
Western Trunk-Line: ⁴	
Zone I-----	126
Zone II-----	142
Zone III-----	153
Southwestern ⁵ -----	149
Mountain-Pacific ⁶ -----	174

¹ Based on the sum of the rates, not including *Ex Parte 115* or *Ex Parte 123* increases, at each 25-mile interval up to 1,500 miles. Rates were prescribed in 197 I. C. C. 115 (1933), as various percentages of then existing first-class rates.

² 17.5 percent of then existing (1933) first-class rates.

³ 16 percent of then existing first-class rates.

⁴ 17.5 percent of then existing first-class rates. These rates have not been maintained throughout Western Trunk-Line Territory, but have been voluntarily reduced.

⁵ 16 percent of then existing first-class rates.

⁶ 20 percent of then existing first-class rates.

TABLE 96.—Relationships of intraterritorial prescribed rates on package salt, in carloads¹

[Minimum weight, 45,000 pounds]

[Official Territory=100]

Official ² -----	100
Southern ³ -----	122
Western Trunk-Lines: ⁴	
Zone I-----	127
Zone II-----	142
Zone III-----	153
Southwestern ⁵ -----	145
Mountain-Pacific ⁶ -----	170

¹ Based on the sum of the rates, not including *Ex Parte 115* or *Ex Parte 123* increases, at each 25-mile interval up to 1,500 miles. Rates were prescribed in 197 I. C. C. 115 (1933), as various percentages of then existing first-class rates.

² 22.5 percent of then existing first-class rates.

³ 20 percent of then existing first-class rates.

⁴ 22.5 percent of then existing first-class rates. This basis has not been maintained throughout the territory but has been voluntarily reduced.

⁵ 20 percent of then existing first-class rates. This basis has not been maintained as rates have been voluntarily reduced.

⁶ 25 percent of then existing Western Trunk-Line zone III first-class rates.

Q. SCRAP IRON

OFFICIAL TERRITORY

In *Newport News Shipbuilding and Dry Dock Co. v. Baltimore & Ohio Railroad Co.*, 160 I. C. C. 620 (1929), the Commission prescribed rates on scrap iron on the basis of 70 percent of the iron and steel scale prescribed in Docket No. 17000, part 6, *Iron and Steel Articles*, 155 I. C. C. 517 (1929). This basis for scrap iron rates was limited to traffic moving from Newport News, Norfolk, and Portsmouth to destinations in Maryland, Delaware, New Jersey, and eastern Pennsylvania. In subsequent proceedings this scale has served as a standard of reasonableness in Eastern Territory. See *Continental Steel Corp. v. Akron, Canton, and Youngstown Railway Co.*, 168 I. C. C. 371 (1930), 226 I. C. C. 683 (1939).

SOUTHERN TERRITORY

In a fourth-section case, *Scrap Iron and Steel in Southern Territory*, 182 I. C. C. 175 (1932), the Commission approved scales proposed by the carriers. Provision was made for short and weak lines in the Florida peninsula by the addition of arbitraries.

SOUTHWESTERN TERRITORY

In the Southwest scrap iron takes 15 percent of first class with a minimum of 50,000 pounds, and 12.5 percent of first class with a minimum of 75,000 pounds. See *Consolidated Southwestern Cases*, 123 I. C. C. 203 (1927), 164 I. C. C. 587 (1930). This percent applies, however, to the scale of first-class rates originally prescribed by the Commission for the Southwest, and not to the present scale.

WESTERN TRUNK-LINE TERRITORY

In this area the carriers have established the rates on the same basis as in Southwestern Territory. This does not give the same level of rates in zone III of Western Trunk-Line Territory as in the Southwest because the Southwestern percentage applies to the original first-class scale prescribed by the Commission in the *Consolidated Southwestern Cases*, which is different from the Western Trunk-Line scale.

SUMMARY

Table 97 shows the relationships of the intraterritorial scales on scrap iron. The Southern basis with a minimum of 80,000 pounds is approximately 10 percent less than the Eastern basis with a minimum of 44,800 pounds, but when the Southern minimum is 50,000 pounds, the level is approximately 12 percent above the Eastern level. The lowest basis is in Western Trunk-Line zones I and II.

TABLE 97.—Relationships of intraterritorial mileage scales on scrap iron, in carloads¹

[Eastern Territory scale=100]

Eastern: ²		
Minimum 44,800 pounds		100
Southern: ³		
Minimum 80,000 pounds		90
Minimum 50,000 pounds		112
Southwestern: ⁴		
Minimum 75,000 pounds		90
Minimum 50,000 pounds		108
Western Trunk-Line: ⁵		
Zone I:		
Minimum 75,000 pounds		76
Minimum 50,000 pounds		91
Zone II:		
Minimum 75,000 pounds		87
Minimum 50,000 pounds		104
Zone III:		
Minimum 75,000 pounds		95
Minimum 50,000 pounds		114

¹ Based on the sum of the rates, not including *Ex Parte 115* or *Ex Parte 123* increases, at each 25-mile interval up to 1,200 miles, with rates adjusted to a per-ton basis of 2,240 pounds.
² Prescribed in 168 I. C. C. 371 on basis of 70 percent of the basic iron and steel scale prescribed in 155 I. C. C. 517. No minimum weight was prescribed but 44,800 pounds was voluntarily established by the carriers.
³ Authorized in 182 I. C. C. 175.
⁴ Prescribed in 164 I. C. C. 537 on basis of 15 percent of the first-class rates originally prescribed in the *Consolidated Southwestern Cases*, for minimum of 50,000 pounds, and 12½ percent of first class for minimum of 75,000 pounds.
⁵ Established by carriers on basis of 15 percent of the contemporaneous first-class rates for minimum of 50,000 pounds and 12½ percent of first class for minimum of 75,000 pounds.

R. SUGAR

In recent years carrier competition, as well as competition of different refining points for interior markets, has severely affected the rates on sugar. Normal bases prescribed by the Commission have been broken down by voluntary reductions, and it is difficult to compare rate levels.

OFFICIAL AND SOUTHERN TERRITORIES

The present basis of rates on sugar within Official and Southern Territories is approximately 22 percent of the Southern first-class scale. Although these rates were not prescribed as maximum reasonable rates within either Official or Southern Territories, relationships in rates were required by the Commission under section 3 of the Interstate Commerce Act in *Sugar from Gulf Coast Ports to Northern Points*, 234 I. C. C. 247 (1939), which would result from the application of rates on the basis of 22 percent of the Southern first-class rates.

Rates lower than the above basis, however, have been approved by the Commission to meet water and motor-carrier competition. For example, in *Sugar from Mobile, New Orleans, etc., to Alabama and Georgia*, 237 I. C. C. 221 (1940), the Commission approved the following reduced rates to permit the rail carriers to meet water and motor-carrier competition.

To Atlanta, Ga.	First-class rate	Then present rate	Percent of first class	Approved rate	Percent of first class
From—					
New Orleans, La.	173	39	22.5	30	17.5
Mobile, Ala.	147	33	22.5	29	18.5
Savannah, Ga.	125	28	22.5	20	16.0

WESTERN TRUNK-LINE TERRITORY

No level of maximum reasonable rates on sugar has been prescribed for Western Trunk-Line Territory. Table 98 shows carload rates from numerous refining and shipping points in Western Trunk-Line Territory to destinations in the same territory. The table shows no uniform relationship to the corresponding first-class rates although the average relationship of the rates shown in the table is about 24 per cent of first class.

TABLE 98.—Statement of rates on sugar, in carloads, minimum weight, 60,000 pounds from refining or shipping points in Western Trunk-Line Territory to destinations in Western Trunk-Line Territory

From—	To—	First-class rate	Commodity rate	Relation of commodity rate to first-class (percent)	Tariff authority
South Torrington, Wyo.....	Oshkosh, Nebr.....	97	36	37.1	(1)
Grand Island, Nebr.....	Council Bluffs, Iowa.....	99	31½	32.2	(1)
South Torrington, Wyo.....	Lemoyne, Nebr.....	107	42	39.2	(1)
Rocky Ford, Colo.....	Scott City, Kans.....	125	36	28.8	(1)
Brighton, Colo.....	Goodland, Kans.....	128	36	28.1	(1)
Rocky Ford, Colo.....	Dodge City, Kans.....	130	39	30.0	(1)
South Torrington, Wyo.....	Bradley Island, Nebr.....	130	47	36.2	(1)
Mitchell, Nebr.....	Casper, Wyo.....	132	43	32.6	(1)
Rocky Ford, Colo.....	Kinsley, Kans.....	139	42	30.4	(1)
South Torrington, Wyo.....	Lexington, Nebr.....	139	39	30.4	(1)
Brighton, Colo.....	Colby, Kans.....	139	39	28.3	(1)
Do.....	Oakley, Kans.....	143	39	27.3	(1)
Torrington, Wyo.....	Kearney, Nebr.....	147	51	34.6	(1)
Brighton, Colo.....	Prairie View, Kans.....	163	45	27.6	(1)
Rocky Ford, Colo.....	Hutchinson, Kans.....	163	51	31.3	(1)
Do.....	McPherson, Kans.....	167	51	30.5	(1)
Do.....	Newton, Kans.....	167	51	30.5	(1)
Brighton, Colo.....	Smith Center, Kans.....	167	51	30.5	(1)
Rocky Ford, Colo.....	Wichita, Kans.....	172	51	29.7	(1)
Longmont, Colo.....	Smith Center, Kans.....	172	51	29.7	(1)
Grand Island, Nebr.....	St. Louis, Mo.....	176	42	23.9	(2)
Swink, Colo.....	Winfield, Kans.....	177	54	30.5	(1)
Do.....	Wellington, Kans.....	177	54	30.5	(1)
Grand Island, Nebr.....	Chicago, Ill.....	187	42	22.5	(2)
Brighton, Colo.....	St. Francis, Kans.....	191	51	26.7	(1)
Longmont, Colo.....	do.....	191	51	26.7	(1)
Greeley, Colo.....	Omaha, Nebr.....	197	51	26.0	(1)
Torrington, Wyo.....	Anoka, Nebr.....	205	51	24.9	(1)
Greeley, Colo.....	Wichita, Kans.....	216	51	23.5	(1)
Garden City, Kans.....	St. Louis, Mo.....	220	47	21.4	(2)
Greeley, Colo.....	Kansas City, Kans.....	223	51	23.0	(1)
Do.....	Arkansas City, Kans.....	226	55	24.3	(1)
Do.....	Des Moines, Iowa.....	229	52	22.5	(1)
Do.....	Pittsburg, Kans.....	238	55	23.1	(1)
Do.....	Joplin, Mo.....	241	57	23.5	(1)
Garden City, Kans.....	Chicago, Ill.....	245	47	19.2	(2)
Swink, Colo.....	St. Louis, Mo.....	256	47	18.4	(2)
Greeley, Colo.....	Minneapolis, Minn.....	255	52	20.5	(1)
Do.....	St. Louis, Mo.....	268	53	20.0	(2)
Swink, Colo.....	Chicago, Ill.....	281	47	16.1	(2)
Greeley, Colo.....	do.....	294	47	16.0	(2)
Grand Junction, Colo.....	St. Louis, Mo.....	391	52	13.3	(2)
Ogden, Utah.....	do.....	391	57	14.6	(2)
Grand Junction, Colo.....	Chicago, Ill.....	399	52	13.0	(2)
Ogden, Utah.....	do.....	399	57	14.3	(2)
Average.....				23.60	

1 Class rate, Kipp's I. C. C. No. A-3176, and A-2593; commodity rate, Kipp's I. C. C. No. A-3446.
 2 Class rate, Kipp's I. C. C. No. A-3176, and A-2594; commodity rate, Kipp's I. C. C. No. A-3446.
 3 Class rate, Kipp's I. C. C. No. A-3202; commodity rate, Kipp's I. C. C. No. A-3446.

SOUTHWESTERN TERRITORY

Rates on sugar within the Southwest were prescribed in the *Consolidated Southwestern Cases*, 123 I. C. C. 203 (1927), on the basis of 30 percent of the first-class rates. This relationship applies to the first-class rates originally prescribed in that case and not to the present first-class rates. If this scale is averaged with that applicable in Eastern and Southern territories by the method used in our other rate comparisons it shows the Southwestern scale to be approximately 152 percent of that scale. These rates, however, have been voluntarily reduced by the carriers, and average about 21½ percent of the present first-class rates as shown in table 99.

SUMMARY

The most prominent feature of the sugar rate structure is the common level of rates that prevails throughout the whole area east of the Mississippi River, except where lower bases have been established for competitive reasons. Higher levels of rates prevail in the West. The relative levels in the different territories are shown in table 100.

TABLE 99.—Statement of rates on sugar, in carloads, minimum weight 60,000 pounds, except as noted, from New Orleans, La., and Sugarland, Tex., groups to destinations in Southwestern Territory

From.....	New Orleans group (New Orleans, La.)			Sugarland group (Sugarland, Texas)			
	To—	First-class rate	Commodity rate	Percent of first class	First-class rate	Commodity rate	Percent of first class
Texarkana, Ark.....		163	29	17.8	158	33	20.9
Ashdown, Ark.....		177	29	16.4	163	34	20.9
El Dorado, Ark.....		154	29	18.8	168	34	20.2
Little Rock, Ark.....		174	32	18.4	192	34	17.7
Fort Smith, Ark.....		210	44	21.0	201	46	22.9
Mena, Ark.....		197	39	19.8	182	46	25.3
Norman, Ark.....		183	32	17.5	182	41	22.5
Ardmore, Okla.....		210	56	26.7	206	47	22.8
Oklahoma City, Okla.....		234	55	23.5	192	51	26.6
Muskogee, Okla.....		226	55	24.3	192	51	26.6
Tulsa, Okla.....		234	55	23.5	211	51	24.2
Denison, Texas.....		200	45	22.5	163	36	22.1
St. Louis, Mo.....		209	44	21.1	266	50	18.8
Do.....		209	46	22.0	266	52	19.6
Joplin, Mo.....		249	59	23.7	224	59	26.3
Memphis, Tenn.....		156	32	20.5	228	35	15.4
Shreveport, La.....		149	25	16.8	139	25	18.0
Do.....		149	31	20.8	139	29	20.9
Average.....				21.13			21.72

¹ Minimum weight 80,000 pounds.
² Minimum weight 40,000 pounds.

Tariff authority.—J. R. Peel's I. C. C. 2838, 2881, 2902, 3205, 3224, 3469; Emerson's I. C. C. 288; Dodge I. C. C. 361; Dodge Tariff 3, not on file with I. C. C.; Dodge Tariff 60-C, not on file with I. C. C.

TABLE 100.—*Relationships of intraterritorial rate levels on sugar, in carloads*¹

[Minimum 60,000 pounds]	
[Eastern Territory level=100]	
Eastern ²	100
Southern ³	100
Western Trunk-Line: ³	
Zone I.....	110
Zone II.....	125
Zone III.....	137
Zone IV.....	157
Southwestern:	
Prescribed basis ⁴	152
Voluntary basis ⁵	110

¹ Based on relationship of rates at 25-mile intervals up to 1,000 miles on constructive scales determined by the average percentage relation of sugar rates to first class.

² Basis of 22 percent of Southern K-2 first-class rates; required in 234 I. C. C. 247.

³ Based on 26 percent of first class which is the average relation to first class of point-to-point voluntarily established rates, as shown in table 98.

⁴ Prescribed in 123 I. C. C. 203, as 30 percent of first-class.

⁵ Based on 21 percent of first class which is the average relation to first class of voluntarily established point-to-point rates, as shown in table 99.

S. CONCLUSIONS

The foregoing analysis of commodity rates on a limited number of commodities which move in whole or in part on commodity rates shows that on most of the commodities there are substantial regional differences in the levels, with higher rates in the South and West than in Eastern Territory. In most instances, but not in all, the relative differences in rate levels are less than the differences in the levels of first-class rates in the same territories. On coke and on sugar, the Southern and Official Territory levels are approximately the same. On several commodities studied the rate levels are lower in Southern than in Official Territory. This was found to be true of brick, fertilizer, lumber, and also of sand, gravel, and crushed stone. In a few instances Western Trunk-Line or Southwestern levels are lower than Official Territory levels. The Western Trunk-Line level on fresh meats is lower than the Official Territory level on hauls of less than 500 miles. In zones I, II, and III, of Western Trunk-Line Territory the rate level on scrap iron, minimum weight, 75,000 pounds, is lower than the Official Territory level. Southwestern levels are below Official Territory levels on common brick, pulpwood, and on sand, gravel, and crushed stone. The Southwestern voluntary scale on lumber is slightly lower than the Official Territory level. Mountain-Pacific levels of rates are commonly the highest, although there are relatively low levels in this area on logs, and on pulpwood.

On many commodities there are differences in levels within a major territory. On logs, and on pulpwood, and on sand, gravel, and crushed stone, there are many levels in some territories, frequently with individual-line scales maintained by different railroads. Mountain-Pacific Territory shows the greatest diversity in levels. The absence of any uniform basis throughout Mountain-Pacific Territory explains why, on many of the commodities studied, average levels could not be readily determined and compared with the levels in other territories. On several commodities there are different levels in two, or in all three, of the subdivisions of Official Territory—New England, Trunk-Line, and Central Territories. This is true of brick, cement, coke, fertilizer, and fertilizer materials, lime, and of sand,

gravel and crushed stone. In the instances in which this situation was found to exist, the Central Territory level was the lowest except that on pulpwood the lowest basis was in New England.

On a few commodities, substantially uniform levels have been prescribed by the Commission in two or more territories. On livestock, for instance, the same basis was prescribed for Western Trunk-Line and Southwestern Territories, and the Southern basis is only about 6 percent higher than the Central Territory, and slightly lower than the Western level. On sugar, the Official and Southern Territory levels are the same, as a result of decisions of the Commission. In the cement adjustment scale-III territory and scale-IV territory cut across both western Trunk-Line and Southwestern Territories.

The lower bases of rates in the South than in Official Territory on brick, fertilizer, and lumber were voluntarily established by the carriers. The same is true in the Southwest on common brick, and on lumber.

CHAPTER V

AVERAGE RATE LEVELS

-Preceding chapters have shown: (1) That there are marked differences in the levels of class-rate scales in the different territories; (2) that even when differences in classification and exceptions ratings are taken into consideration, the territorial differences in average class-rate levels are nearly as great as the differences in levels of class-rates scales; (3) that due to differences in classification ratings the levels of rates on particular articles vary greatly in the different territories; (4) that the rate levels on many commodities moving wholly or partly on commodity rates also show marked differences; (5) that on many of these commodities the territorial differences in rate levels are less than on traffic moving on class rates; and (6) that on some commodities the rate relationships in certain territories are reversed, with commodities charged lower rates in the territories having a higher class-rate level.

A natural question to raise is the extent to which there are differences in the average rate levels. From the shippers' standpoint, the average level of rates has but little significance. The shipper is interested in the relative rate levels on the particular commodities which he sells or buys, and if his rates are higher than those charged in another territory he cannot be consoled by a showing that on the average the rates in his territory are no higher than the rates in another territory.

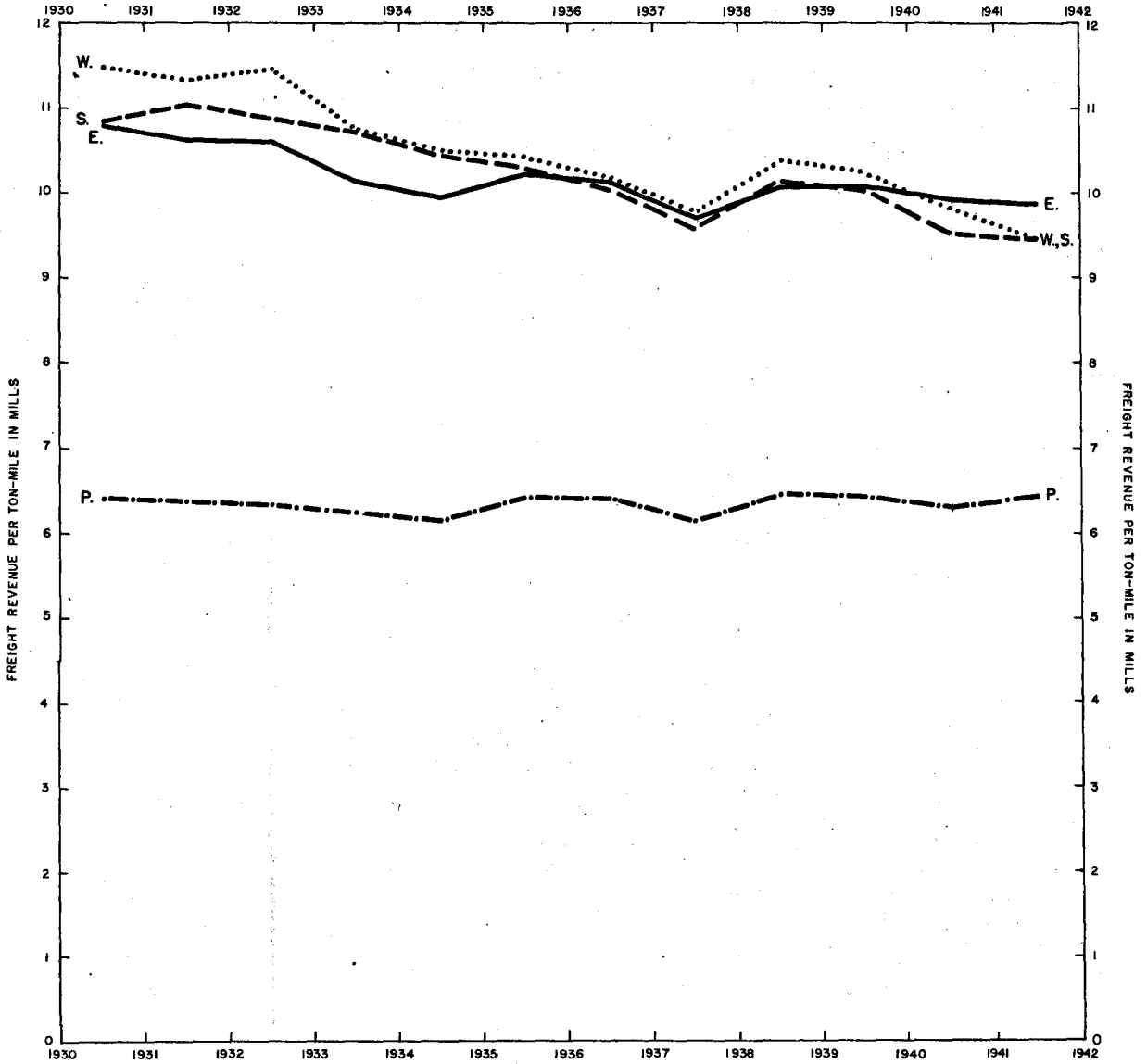
An average of rates, furthermore, in view of the wide differences in particular rates and differences in composition of the traffic, may obscure very real and important differences in rate levels on particular commodities and kinds of traffic. The average rate level in the Pocahontas Region,¹ if weighted by tonnage or ton-miles, would be dominated by the influence of the rates on coal, since approximately 85 percent of the traffic in that area consists of coal or other products of mines. Rates on merchandise, or on class traffic generally, could be much higher in the Pocahontas Region than in any other part of the United States without affecting appreciably the regional average level of rates.

The usual measure of average rate levels is the average revenue per ton-mile, which is the average amount received by the carriers for transporting a ton of freight one mile. This figure is obtained by dividing total freight revenues of the railroads by the ton-miles of revenue freight transported. It shows what the railroads receive, on the average, for a unit of transportation service.

Care must be observed in comparing figures showing average revenues per ton-mile. Average revenue per ton-mile is a weighted average in that the more tons carried of a given kind of traffic the greater becomes the influence of the rates on that commodity on the

¹ For an explanation of Pocahontas Region see p. 151, footnote 2.

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FREIGHT REVENUE PER TON-MILE, CLASS I LINE-HAUL RAILWAYS.
 BY REGIONS OR DISTRICTS, 1930-1941

average. For this reason average revenues per ton-mile are affected by differences in the composition of traffic. The average revenue per ton-mile does not measure the average level of the published rates, but the average level of the rates charged on the tonnage that actually moved during a given period. The levels of published rates might be identical in two territories, but the average revenues per ton-mile would be different if more tons of low-rated traffic were transported in one of the territories than in the other.

Average revenue per ton-mile is also affected by the length of hauls. Since rates are normally less per mile for long hauls than for shorter ones, the average revenue per ton-mile is less for long hauls than for short ones. This characteristic of revenue-per-ton-mile figures limits their usefulness for purposes of comparison, since they must be accompanied by statements or differences in average hauls before significant comparisons can be made, and even then it is difficult to know how much allowance should be made for these differences.

Statistics showing average revenue per ton-mile in a particular rate territory reflect not only the levels of rates in that area, but also the divisions of rates on traffic which moves interterritorially. The average revenue per ton-mile, therefore, measures what the railroads in a given area receive for performing a unit of transportation service, but does not always accurately measure the level of rates charged within an area. This limitation should be kept in mind when comparing regional average revenues per ton-mile.

The average revenues per ton-mile received by the class I line-haul railroads in Eastern District, Pocahontas Region, Southern Region, and Western District, for the years 1930 to 1941, are shown in table 101.² The same data are shown in chart form in figure 4.

It was noted above that comparisons of average revenues per ton-mile must be made with differences in average hauls kept in mind. Unfortunately, statistics of average length of haul by regions or districts are not obtained by the Interstate Commerce Commission. In I. C. C. Docket No. 28300, the Bureau of Transport Economics and Statistics of the Commission estimated the average length of hauls in the various districts as follows:³

Eastern District.....	252
Southern Region.....	282
Western District.....	345

¹ These figures include the portion of the haul on interterritorial shipments which takes place in a given district or region except that "bridge traffic", i. e., traffic passing through a region or district is not included.

It will be observed from table 101 and figure 4 that in the Pocahontas Region the average revenue per ton-mile has been consistently much lower than in the other areas. The average revenue per ton-mile in the Western District has been greater than in the other areas, with the exception that in 1940 and 1941 the Western railroads received slightly less than the Eastern roads. The average revenue per ton-

² Where the words "region" or "district" are capitalized in this report the regions or districts named are as defined by the Interstate Commerce Commission for statistical purposes in Statistics of Railways. For a detailed description of these regions and districts see Statistics of Railways for the year 1935, pp. S-2 and S-3. Eastern District covers roughly the same area as Official or Eastern Territory except that it does not include portions of Virginia and West Virginia served by the Chesapeake & Ohio Ry., the Virginian Ry., and the Norfolk & Western Ry., which area is known as the Pocahontas Region. Southern Region corresponds in a general way to Southern Territory. Western District corresponds roughly to Western Classification Territory.

³ Taken from Bureau of Transport Economics and Statistics. Unit Costs for the Eastern Territory, etc.,

mile received by the Southern railroads was higher than that of the Eastern roads from 1930 to 1935. Since that time the two have been very close together, and in the years 1936, 1937, 1939, 1940, and 1941, the Southern railroads received slightly less for a ton-mile of freight service than did the Eastern railroads.

TABLE 101.—Average revenue per ton-mile, class I line-haul railroads, by regions or districts, 1930-1941¹

Year	Eastern District	Penn-hontas Region	Southern Region	Western District	Year	Eastern District	Penn-hontas Region	Southern Region	Western District
	<i>Mills</i>	<i>Mills</i>	<i>Mills</i>	<i>Mills</i>		<i>Mills</i>	<i>Mills</i>	<i>Mills</i>	<i>Mills</i>
1930.....	10.80	6.40	10.82	11.49	1937.....	9.70	6.14	9.59	9.79
1931.....	10.63	6.38	11.04	11.36	1938.....	10.08	6.46	10.13	10.40
1932.....	10.61	6.35	10.89	11.45	1939.....	10.07	6.42	10.01	10.21
1933.....	10.16	6.27	10.72	10.77	1940.....	9.94	6.31	9.54	9.82
1934.....	9.98	6.17	10.43	10.50	1941.....	9.89	6.41	9.46	9.46
1935.....	10.22	6.41	10.29	10.41	Average..	10.19	6.35	10.25	10.49
1936.....	10.16	6.41	10.02	10.17					

¹ From I. C. C. Statistics of Railways.

Since it appears that the hauls are longer in the South than in the East and the average revenues per ton-mile are practically the same, the Southern average rate level is presumably higher than the Eastern. This conclusion follows because if the average sum received for transporting a ton of freight a given distance was the same in both territories, the longer average haul in the South would produce a lower average revenue per ton-mile, since rates do not increase in proportion to distance.

The hauls are still longer in the West, so if the average charge for hauling a ton a given distance was the same in the West as in the East, the average revenue per ton-mile would be lower in the West than in the East. As a matter of fact, the average revenue per ton-mile has been higher in the West than in the East except for the years 1940 and 1941. It follows that the average rate level in the Western District has been, and probably is, higher than in the East.

The above conclusions may be accepted as correct, but we are still left with no adequate measure of the differences in average rate levels. An attempt to measure those differences was made by Mr. Wm. F. Kennedy of the Louisville & Nashville Railroad in an exhibit filed in I. C. C. Docket No. 28300 as exhibit 18, and modified and reworked by Dr. Ford K. Edwards of the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission in exhibit 195, Unit Costs for the Eastern Territory, etc.⁴

The method used in the exhibits referred to was to compare the actual freight revenues received in 1939 by the railroads in the Southern Region and Western District with the revenues which they would have received if the Eastern level of rates had prevailed in the South and West. The procedure, in more detail, was to estimate the revenues per ton-mile for each of the commodity groups used by the Interstate Commerce Commission for compiling traffic statistics, in each of the three areas, and also to estimate the average hauls. The Eastern revenue per ton-mile was then adjusted for each commodity group to what it would have been if the average hauls had been the

⁴ See pp. 10-16 of the exhibit.

same as prevailed in the Southern Region and Western District for that commodity group.⁵ This process represents an attempt to apply the Eastern rate level to the Southern and Western average hauls. From these hypothetical revenues per ton-mile the "constructive revenues," were computed, that is, the total revenues which the Southern and Western roads would have received from each commodity group under the Eastern rate level. The ratios of the actual revenues to the constructive revenues were then computed, and constitute a measure of the average rate level or average "revenue level," with the Eastern level as 100. The results of the computation are as follows:

Eastern District.....	100.0
Southern Region.....	105.5
Western District.....	116.6

Dr. Edwards has pointed out that the actual revenues which are compared with the constructive revenues in his calculations are overstated by a small amount because the revenue figures used are gross revenues before deductions for pick-up and delivery allowances, switching absorptions, and the like. He believes that the overstatement in the Southern Region is greater than in the other areas, and concludes that the average rate level in the South is between 3 and 5 percent over the Eastern level.⁶

The calculations of Edwards and Kennedy involve certain assumptions and methods that might be questioned, and also the use of imperfect data. For these reasons the resulting figures cannot be taken as conclusive, but they represent a careful attempt to obtain a measure of average rate levels, or revenue levels, from available statistics.⁷

The differences in average rate levels shown by the calculations of the Bureau of Transport Economics and Statistics are less than the differences in the levels of first-class rates, and less than the differences in the average levels of class rates after taking into consideration differences in classification and exceptions ratings. They suggest that the higher rate levels on many commodities in the South and West may be partly offset by low rates on other commodities, and that the volume of traffic moving on favorable rates in the various territories weights the averages heavily. Although, as pointed out above, the calculations of average rate levels made by the Bureau of Transport Economics and Statistics cannot be taken as conclusive, they suggest that any attempt to unify the rate structure as a whole on the basis of Eastern or Southern rate levels might create a revenue problem for the Western railroads.

⁵ The adjustment of the Eastern revenues per ton-mile to Southern and Western average hauls was made by increasing or reducing the Eastern revenue per ton-mile according to the ratio that the revenue-per-ton-mile yield of the Eastern first-class rates for the Eastern average haul bears to the revenue-per-ton-mile yield under the same scale for the Southern or Western average haul.

⁶ See Statement of Ford K. Edwards in reply to the criticisms of exhibits introduced by him, p. 51.

⁷ Data obtained by the Board from a way-bill analysis of carload traffic terminated on 12 sample days in 1939 will make possible the computation of average rate levels by other methods.

CHAPTER VI

INTERTERRITORIAL CLASS RATES

This chapter is concerned with interterritorial class rates. In the first section of the chapter the class-rate structures applying between the various rate territories are described. This is followed by an analysis of the levels of the interterritorial first-class rates in relation to intraterritorial levels. Finally, the classification exceptions which apply interterritorially are examined to determine the extent to which they differ from exceptions which apply intraterritorially.

A. THE STRUCTURE OF INTERTERRITORIAL RATES

1. SOUTHERN—OFFICIAL

Interterritorial class rates between the South and Official Territory are governed by the Southern Classification. Before describing the methods of constructing rates between the South and Official Territory mention should be made of a certain amount of overlapping of Southern and Official Territories. Between that portion of Official Territory which lies on and south of the dotted line shown on the map¹ (embracing parts of the States of Virginia, West Virginia, and Kentucky) and points in Southern Territory (excluding so-called border territory later described), the regular Southern (K-2) basis of rates applies. The area embraced within the dotted line on the map is therefore in Southern Territory so far as the rates to and from most of Southern Territory are concerned.

For the purpose of describing the rate structure between the South and Official Territory it is necessary to divide Official Territory into two parts since the rates between the eastern portion of Official Territory and the South are not constructed on exactly the same basis as are those between the western part and the South. The Buffalo-Pittsburgh line demarks in a general way the two sections.

Between Central Territory, i. e., the part of Official Territory lying west of the Buffalo-Pittsburgh line, and points in Southern Territory exclusive of certain border territory more fully described later, class rates are constructed according to a system set up by the Commission as a result of the *Southern Class Rate Investigation*, 100 I. C. C. 513 (1925); 109 I. C. C. 300 (1926); 113 I. C. C. 200 (1926); 128 I. C. C. 567 (1927). Prior to this decision the interterritorial rates were generally combinations of either local or proportional rates² to and from either the "Ohio River crossings" or the "Virginia cities."³

As a result of the decision in the *Southern Class Rate case* the carriers were required to publish through rates lower than the combination basis between points in the South and points in Central Territory.

¹ P. 1.

² A "proportional rate" is a rate between two points which is limited in its application to traffic which came from or is destined to a point beyond.

³ The principal Virginia cities are Roanoke, Lynchburg, Norfolk, and Richmond.

These rates are constructed on what has come to be known as the "K-2—Q-1" basis, *i. e.*, a combination of two scales of rates prescribed in appendix K-2 and appendix Q-1 of the Commission's report, subject to certain maxima and minima. Under this system of determining through rates the basic Southern scale, known as the K-2 scale, was used for the distance in Southern Territory to or from the gateways. To this rate was added a differential for the distance in Central Territory according to one of four distance scales of first-class differentials set forth in appendix Q-1 of the Commission's report. The Q-1 scales are shown in appendix C, herein. The Q-1 scales, since they are in effect scales of proportional rates, are lower than the basic Eastern scale. The result of applying the K-2—Q-1 basis, therefore, is to make interterritorial rates lower than combinations of local rates to and from the gateways.

The Q-1 scales of differentials are four in number, and the scale used depends on the distance of the point of origin or destination in Southern Territory from the gateways. The highest differentials are applied if the origins or destinations in Southern Territory are 30 miles or less from the gateways. The next lower differentials apply if the Southern origins or destinations are more than 30 miles from the gateways, but not more than 100 miles. The next lower scale of differentials applies on traffic to or from points more than 100 miles, but not more than 340 miles, from the gateways. The lowest scale of differentials applies if the Southern origins or destinations are more than 340 miles from the gateways. Thus for a distance of 200 miles in Central Territory a first-class differential of 38 cents would be added if the Southern origin or destination was 30 miles or less from the gateway, 35 cents if it was over 30 and not over 100 miles from the gateway, 32 cents if more than 100 miles but not over 340 miles, and 28 cents if over 340 miles from the gateway. Thus, successively smaller amounts are added for a given distance in Official Territory as the length of the haul in Southern Territory increases.

A slight modification of the K-2—Q-1 formula was made in the construction of rates to points in South Carolina through the Virginia cities as gateways. The Q-1 differentials were applied for distances north of the gateways, but south of the gateways factors were applied from or to certain origin or destination groups in South Carolina. Rates so constructed, however, were subject to certain maxima, namely, the Eastern local rates for distances north of the gateways plus certain proportional rates south of the gateways.

Rates on classes other than first class conform to the percentage relations observed throughout Southern Territory. Short-line and weak-line arbitraries as well as the usual arbitraries on traffic to and from zone C in Michigan are permitted.

In the construction of rates under the K-2—Q-1 formula short-line distances are used. The carriers, however, are permitted to group origins and destinations to a limited extent. The Commission held in the *Southern Class Rate case* that groups should be of "moderate extent," and that the group rates should be a "fair average" of rates from and to points in the group determined under the K-2—Q-1 formula.

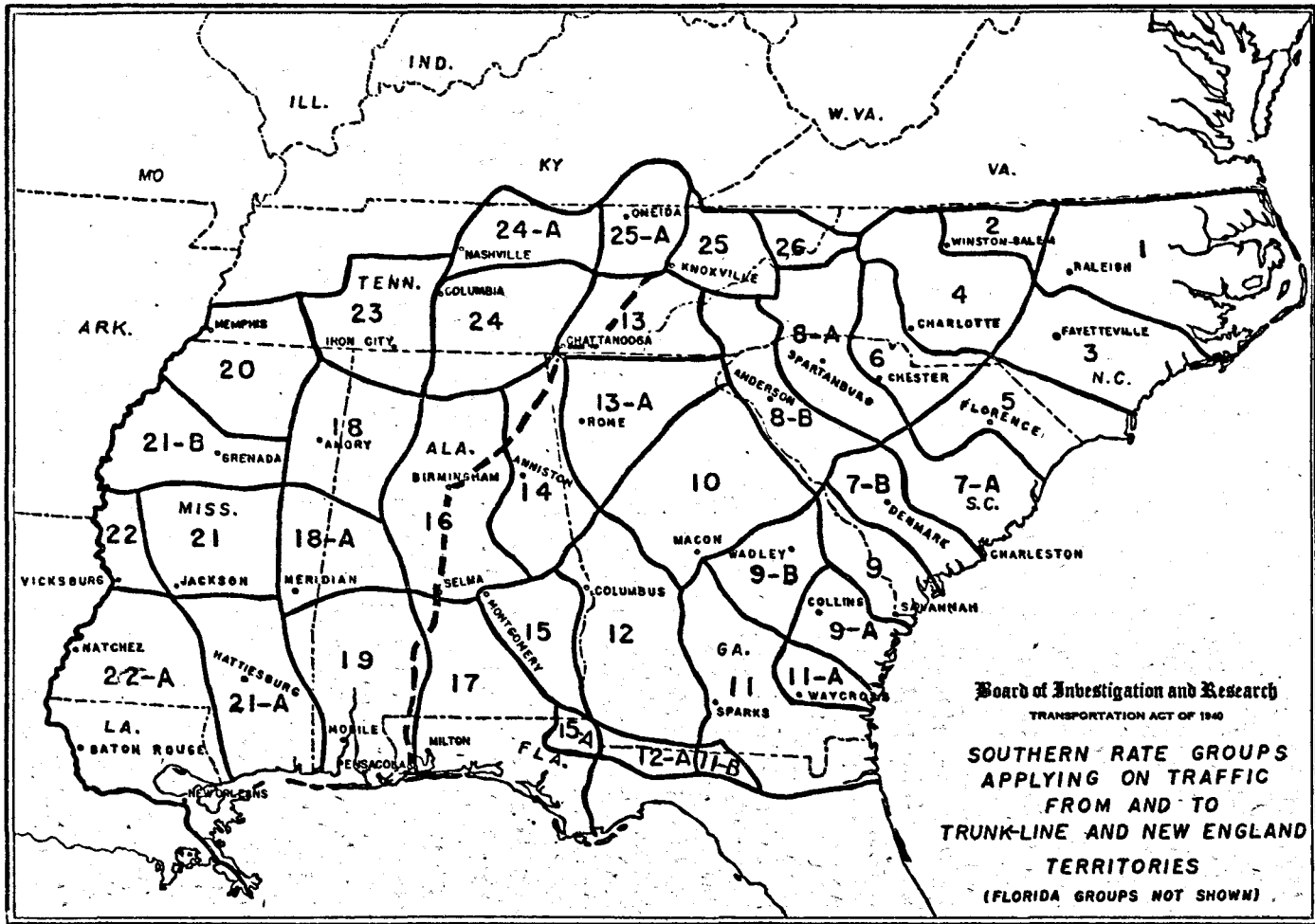
The existence of rail-water and rail-water-rail routes between points in New England and in Trunk-Line Territory and points in the South accounts for the differences in the construction of the all-rail rates

between this portion of Official Territory and the South. The all-rail rates had traditionally been depressed by the existence of the water-rail routes. In the *Southern Class Rate Investigation* the Commission prescribed key-point rates between important points in New England and Trunk-Line territories, including the Buffalo-Pittsburgh zone,⁴ and groups of points in Southern Territory as shown on the map in figure 5. The key-point rates are somewhat lower than the rates that would result from the application of the K-2—Q-1 formula, between points in Trunk-Line Territory, including the Buffalo-Pittsburgh zone, and points in the South where no key rates were provided, the K-2—Q-1 rates were prescribed as maximum reasonable rates via the Ohio River and Virginia gateways, with the exception of the special treatment of South Carolina points via the Virginia gateways mentioned in connection with adjustment to and from Central Territory.

The key points in New England and Trunk-Line Territories, including the Buffalo-Pittsburgh zone, have been the basis of forming origin and destination groups of considerable size. The grouping of other points with the key points was specifically authorized by the Commission in *Southern Class Rate case*. The New England groups are shown in figure 6, and the Trunk-Line groups in figure 7.

A special adjustment of rates exists between Official Territory and points in southern Virginia, North Carolina, Kentucky, and eastern Tennessee, commonly known as "border territory." This adjustment resulted from the decisions of the Commission in *North Carolina Corporation Commission v. Akron, Canton & Youngstown Railway Company*, 213 I. C. C. 259 (1935), and in *Commonwealth of Kentucky v. Ahnapee and Western Railway Company*, 213 I. C. C. 297 (1935), and also *East Tennessee Border Traffic Association v. Akron, Canton & Youngstown Railway Company*, 214 I. C. C. 316 (1936), together with supplemental decisions in the combined dockets 218 I. C. C. 521 (1936), 229 I. C. C. 20 (1938), 231 I. C. C. 453 (1939). The result of these decisions was to provide a basis slightly different than the K-2—Q-1 basis on traffic between the North and border territory in the South. Instead of the K-2 scale for application to the portion of the haul south of the gateways a scale of "factors" was set up. This scale was slightly lower than the K-2 scale for distances of from 20 to 190 miles. For distances less than 20 miles and distances over 190 miles it was approximately the same as the basic Southern scale. This scale of Southern "factors" is shown in appendix D herein. For the portion of interterritorial hauls north of the gateways four distance scales of first-class differentials were set up, the first and highest scale applying when the origin or destination in Southern Territory was 30 miles or less from the gateways; the second scale applying when the Southern origins or destinations were more than 30 miles but not more than 60 miles from the gateways; the third scale, when the origins or destinations in the South were more than 60 but not more than 180 miles from the gateways; and the lowest scale, when the distances south of the gateways were more than 180 miles. These scales of differentials are shown in appendix E, herein. These scales of differential rates took the place of the Q-1 scale. For the shorter distances

⁴ The term "Buffalo-Pittsburgh zone" is used rather loosely to denote points on a line from Buffalo to Pittsburgh and south, and points grouped therewith



Board of Investigation and Research
 TRANSPORTATION ACT OF 1940
**SOUTHERN RATE GROUPS
 APPLYING ON TRAFFIC
 FROM AND TO
 TRUNK-LINE AND NEW ENGLAND
 TERRITORIES**
 (FLORIDA GROUPS NOT SHOWN)

FIGURE 5.

the scale provided lower rates than the Q-1 scale. The effect of combining the scale of Southern factors with the special differentials for distances north of the gateways was to make lower rates generally between border territory in the South and points in Official Territory. The purpose of the special adjustment set up in the border cases was chiefly to reduce the sharp differences in rates that existed between the cities in border territory and those on the boundary between Official and Southern territories.

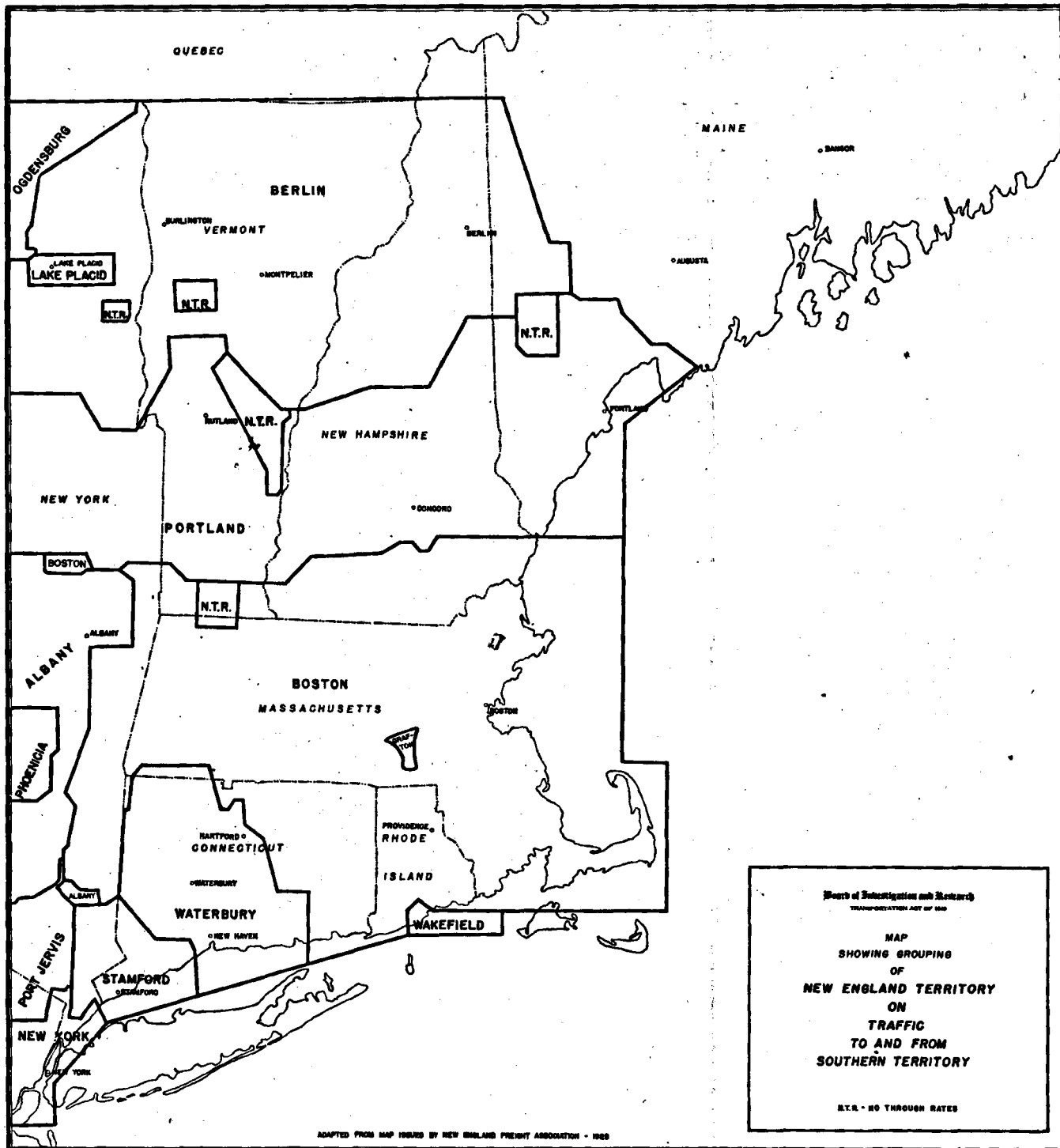
Rail-water and rail-water-rail rates exist between points in New England and Trunk-Line Territories and the South. In the *Southern Class Rate case* such rates were prescribed between the key points in New England and Trunk-Line Territory and the rate groups in the eastern part of Southern Territory. There is no fixed differential relationship between these rates and the all-rail rates. Where the water distance is a large portion of the through water-rail distance the differential under the all-rail rate is considerable. As the rail portion of the haul increases, as it does to and from Southern points located in the interior, the spread or differential decreases until it finally vanishes. The portion of the South which has differential rail-and-water rates is the area on and east of the broken line shown in figure 5.⁶

2. WESTERN TRUNK-LINE-OFFICIAL

The interterritorial class rates between Western Trunk-Line Territory and Eastern or Official Territory have resulted generally from the decisions of the Commission in Docket No. 17000, Part 2, *Western Trunk-Line Class Rates*, 164 I. C. C. 1 (1930), 173 I. C. C. 637 (1931), 178 I. C. C. 619 (1931), 181 I. C. C. 301 (1931), 196 I. C. C. 494 (1933), 197 I. C. C. 57 (1933), 204 I. C. C. 595 (1934), 210 I. C. C. 312 (1935), 246 I. C. C. 119 (1941); *Public Service Commission of Wyoming v. Atchison, Topeka & Santa Fe Railway Company*, 196 I. C. C. 413 (1933); *W. H. Bintz Co. v. Abilene & Southern Railway Co.*, 216 I. C. C. 481 (1936), 218 I. C. C. 793 (1936); and *Great Falls Traffic Association v. Chicago, Burlington & Quincy Railroad Company*. 22A I. C. C. 467 (1938), 235 I. C. C. 459 (1939).

Between Western Trunk-Line Territory and the western portion of Official Territory interterritorial class rates are constructed on distance scales. The western portion of Official Territory where this adjustment applies embraces Illinois, that portion of Wisconsin south or east of Western Trunk-Line zone I, Indiana, and Michigan with the exception of Detroit, Ann Arbor, and other points in the southeastern corner of the State. Rates between Western Trunk-Line Territory and this portion of Official Territory except zone C in Michigan and extended zone C in Wisconsin are through rates determined by applying a distance scale, known as the "basic scale," for the whole distance, plus zone differentials for the distances in Western Trunk-Line Territory applied according to the "Western Trunk-Line formula," or "laminated" formula, described in connection with Western Trunk-Line intraterritorial rates. The application of this formula may be illustrated by an actual example. The first-class rate from Springfield, Ill., to Trinidad, Colo., in zone III, was 245 cents prior to the *Ex Parte 123* increases. The short-line distance from Springfield to

⁶ Barge-rail and rail-barge-rail rates are published between Official and Southern Territories, as well as between other territories, on the basis of varying differentials under the all-rail rates.

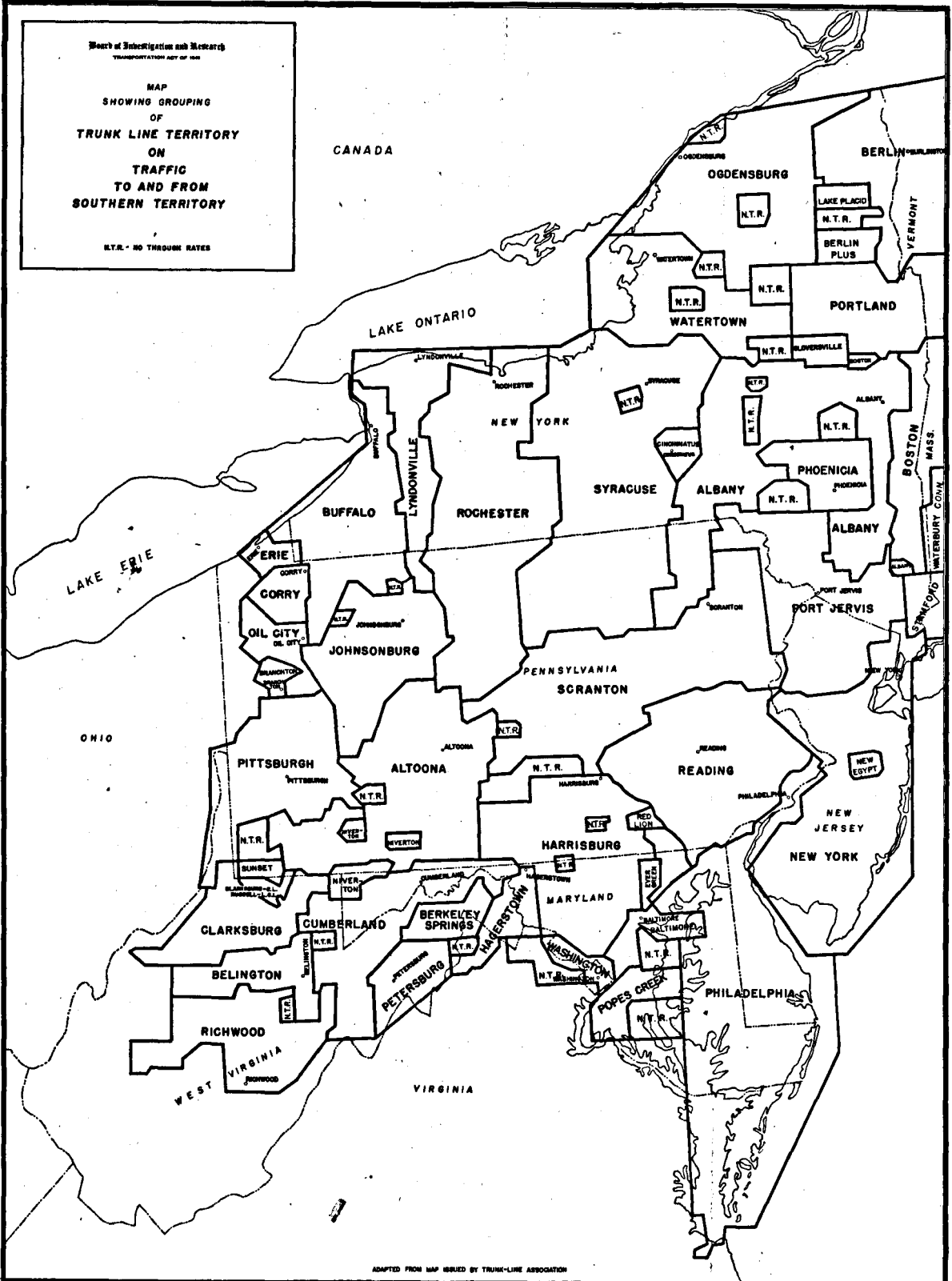


(Face p. 158)

FIGURE 6

Board of Investigation and Research
 TRANSPORTATION ACT OF 1940
 MAP
 SHOWING GROUPING
 OF
 TRUNK LINE TERRITORY
 ON
 TRAFFIC
 TO AND FROM
 SOUTHERN TERRITORY

N.T.R. - NO THROUGH RATES



ADAPTED FROM MAP ISSUED BY TRUNK-LINE ASSOCIATION

Trinidad is 915 miles, of which 101 miles is in Eastern Territory, 197 miles through zone I of Western Trunk-Line Territory, 127 miles through zone II, and 490 miles in zone III. The published through rate was therefore determined as follows:

	Cents
Basic scale for entire distance, 915 miles.....	182
Zone I differential for distance through zones I, II, and III, 814 miles.....	25
Zone II differential for distance through zones II and III, 617 miles.....	22
Zone III differential for distance in zone III, 490 miles.....	16

245

The "basic scale," prior to the *Ex Parte 123* increases, together with the zone differentials are shown in appendix F.

The basic scale averages 112.4 percent of the Eastern scale of first-class rates, and 87.5 percent of the Western Trunk-Line zone I scale.

Between Western Trunk-Line Territory and zone C in Michigan and extended zone C in Wisconsin, rates are constructed as above, but with the addition of the zone C differentials prescribed in the *Eastern Class Rate Investigation* for that portion of the haul within the higher-rated area. These rates, however, are subject to certain maxima.

Between Western Trunk-Line Territory and the portion of Eastern Territory lying east of Indiana and including also the southeastern corner of Michigan, key-point rates were prescribed by the Commission in the *Western Trunk-Line case*.⁶ Rates were prescribed in the *Western Trunk-Line case* between 90 key points in the East and 193 key points in Western Trunk-Line Territory, including Sheridan, Casper and Cheyenne, in Wyoming. Numerous other points were required to be grouped with specified eastern or western key points. The key-point rates are predicated on the basic distance scale and zone differentials, but vary therefrom to take into consideration various factors including long-established custom, water competition, and commercial competition. Group application of the key-point rates was authorized since the key rates could be blanketed back at intermediate points until the next less distant key point was reached, except that additional key-point rates graded in with those prescribed were required in Western Trunk-Line Territory where the two established key points were more than 50 miles apart in an east-west direction. Through rates, whether key-point rates or made on the laminated scale, are subject to combinations of local rates as a maximum.

The rates between points in Official Territory and points in the eastern portion of Western Trunk-Line Territory alternate with combination rates to and from the Mississippi River crossings. The factors in this combination are the Eastern intraterritorial rates to or from the Mississippi River crossings, and a special scale of "bridge arbitraries" applicable between the Mississippi River crossings and points in Western Trunk-Line Territory which are not more than 170 miles west of the eastern boundary of zone I or of the western boundary of that part of zone I known as the "Northwest." The Northwest is that part of zone I on and east of the Northern Pacific Railway from Duluth to Hinkley, Minn., and of the Great Northern Railway from Hinkley to the Twin Cities, and east of the Mississippi River to the Illinois-Wisconsin line, but including the west-bank crossings. When

⁶ To and from Utah, Montana, and points in Wyoming west of Cheyenne, Casper, and Sheridan, key-point rates were not prescribed, but the rates were constructed by use of the Western Trunk-Line distance scales and formula. No key-point rates were prescribed between zone II in Southern Missouri and Official Territory, since Southern Missouri was not involved in the *Western Trunk-Line Class-Rates case*.

rates constructed on this combination are lower than when constructed on the normal basis, the combination rates apply. The "bridge scale" of arbitraries is shown in appendix G, herein. The purpose of the bridge arbitraries is to avoid the abrupt increase in rates to and from points immediately west of the Mississippi River that would result from the application of the Western Trunk-Line formula.

Class rates between Western Trunk-Line Territory and Official Territory east of Illinois are governed by the classification applicable in the destination territory, that is, Official Classification on eastbound traffic, and Western Classification on westbound traffic. Between Western Trunk-Line Territory and Illinois generally, the Western Classification applies. Between that part of zone I called the "North-west" and Official Territory the Official Classification applies in both directions.

A system of lake-and-rail rates, differentially related to the all-rail rates, was prescribed by the Commission between the eastern portion of Official Territory and points in Western Trunk-Line Territory in *Lake and Rail Class and Commodity Rates*, 205 I. C. C. 101 (1935), 214 I. C. C. 93 (1936). These rates apply via routes chiefly through the lake ports of Duluth, Chicago, and Milwaukee on the west, and the Lake Erie ports of Cleveland, Ohio, and Buffalo, New York. The differentials are constructed broadly on the principle that, as the water haul becomes a smaller proportion of the total distance, the differential under the all-rail rates should decrease.

Ocean-rail differential rates apply from the eastern ports and a section of the Atlantic seaboard territory adjacent to the ports to practically all of Western Trunk-Line Territory on the basis of the same differentials as are in effect to Central Territory. To a portion of Western Trunk-Line Territory lower rates are published during the season of lake navigation.

3. WESTERN TRUNK-LINE—SOUTHERN

The class rates between Western Trunk-Line Territory, except zone IV, and Southern Territory are the result of the Commission's decision in *Western-Southern Class Rates*, 226 I. C. C. 497 (1938), 231 I. C. C. 315 (1939), 232 I. C. C. 81 (1939), 238 I. C. C. 681 (1940). Prior to this decision the rates were, with some exceptions, on a combination basis, usually combinations on Ohio or Mississippi River crossings, Virginia cities, Chicago, or interior points in Illinois.

In the interterritorial class-rate adjustment between Western Trunk-Line and Southern Territories the boundaries of both territories differ somewhat from those shown on the map,⁷ which was constructed on the basis of the intraterritorial adjustments. In the Western Trunk-Line—Southern adjustment, Southern Territory includes all of Kentucky, except south-bank Ohio River crossings and stations on the main line of the Chesapeake and Ohio from Covington to Catlettsburg, inclusive. Western Trunk-Line Territory, for the purpose of constructing rates to and from Southern Territory, is also enlarged to include extended zone C in Wisconsin, shown on the map as part of Eastern Territory.

Unlike the other cases in which the Commission has prescribed interterritorial rates, no distance scale was prescribed in the Western

Trunk-Line—Southern case. Instead, specific key-point rates were prescribed between a large number of important points. In the South, 114 key points were selected, and in the West, 218. In addition, 172 other points were required to be grouped with the key points or given rates related to the key-point rates. The carriers were permitted to blanket back key-point rates over intermediate points until the next less-distant key point was reached. The carriers were also authorized to select additional key points and to establish rates at such points which were reasonably graded with the key rates.

The key-point rates do not conform strictly to a distance basis, but they approximate rates constructed on the basis of the Southwestern and Western Trunk-Line scales applied according to the Western Trunk-Line formula. The key-point rates are also affected by long-established rate relationships, and the necessity of avoiding rate humps at territorial boundaries. A scale of arbitraries was provided for application on specified short and weak railroads in the South. The arbitraries began at 6 cents for distances of 10 miles and under, and progressed to 25 cents for distances over 500 miles.

The rates between Western Trunk-Line and Southern Territories are not subject to a single classification. Instead, the rates from Western Trunk-Line Territory to the South are subject to the Southern Classification, while from Southern Territory to Western Trunk-Line Territory the Western Classification applies. There are two exceptions to this rule, however. From that part of Western Trunk-Line Territory on, west, and south of a line from Duluth to the Twin Cities and along the Mississippi River to the Illinois-Wisconsin line the rates to east-bank Mississippi River crossings from Memphis south and to certain other points are governed by the Western Classification. This means that the east-bank Mississippi River crossings are treated as in Western Territory. The other exception to the application of the destination classification is that from Southern Territory to extended zone C in Wisconsin, as well as to Lake Michigan ports north thereof on carferry routes, the rates are governed by the Southern Classification.

Rates on the classes below first class take the rates determined by applying the standard percentage relations prescribed in Southern Territory when the rates are subject to Southern Classification, and the percentage relations prescribed for Western Trunk-Line Territory when the rates are subject to Western Classification.

4. WESTERN TRUNK-LINE—SOUTHWESTERN

The basis for constructing class rates between Western Trunk-Line Territory and Southwestern Territory was prescribed by the Commission in the Twenty-First Supplemental Report in *Consolidated Southwestern Cases*, 205 I. C. C. 601 (1934).

In this adjustment, extended zone C in Wisconsin is treated as part of Western Trunk-Line zone I. Key-point rates were prescribed between 135 key points in Southwestern Territory and 78 in Western Trunk-Line Territory, at levels related roughly to rates constructed on the basis of the Western Trunk-Line formula. Other specified cities were required to be grouped with particular key points. Grouping of other points with key points was permitted with limitations on the sizes of the groups.

Between points not provided with key-point rates or grouped therewith the rates are constructed on a distance basis. Between Western Trunk-Line zone I and points in the Southwest the Western Trunk-Line zone I scale was used for the through distance, plus the zone differentials for the distances in zones II, III, and IV, applied according to the Western Trunk-Line formula previously described. If the rate-making route between zone I and southwestern points passed through Illinois Territory, however, the "basic scale" instead of the zone I scale is used, with the addition of the appropriate zone differentials. When the rate-making route does not pass through zone II, the zone II differentials are to be combined with the zone III differentials for distances in zone III and higher zones.

A similar scheme is used for constructing rates between Western Trunk-Line zone II and Southwestern Territory, with provision for using the zone I scale, instead of the zone II scale, before applying differentials, if the rate-making route passes through zone I. Rates between zone III and the Southwest are constructed on similar principles where key point rates are not provided.

The voluntary elimination of zone IV in Southwestern Territory in 1940 resulted in a modification of the Commission's orders in *Consolidated Southwestern cases* to permit the publication of rates to and from former zone IV on the zone III basis.

Mention should be made of the fact that the carriers voluntarily maintain a scale of less-carload class rates between Kansas points (also Kansas City, St. Joseph, Joplin, and certain other points in Missouri) and points in Oklahoma and western Arkansas, which is lower than the basis prescribed by the Commission.

The Western Classification applies on the traffic between Western Trunk-Line and Southwestern Territories.

5. SOUTHWESTERN-OFFICIAL

Between Southwestern and Official territories the class rates are constructed on the basis prescribed in *Consolidated Southwestern Cases*, principally in the twenty-first supplemental report, 205 I. C. C. 601 (1934).

Key-point rates were prescribed as maximum reasonable rates with provision for additional key points when the distance between a key point and the next one more distant exceeded 50 miles (100 miles if in New England or Trunk-Line territories). The key points prescribed in the Southwest were 135 in number; those in Official Territory, 83.

Between points in Central Territory and points in the Southwest not provided with key-point rates, the maximum reasonable rates prescribed by the Commission were to be constructed by applying the "basic scale" (the same as the Western Trunk-Line basic scale) for the through distance plus the zone differentials according to the Western Trunk-Line formula. If the routes did not pass through zone I the zone I differentials were to be combined with those for zone II for the distances for which the latter apply. The elimination of Southwestern zone IV by the carriers in 1940 and the application of the zone III rates in that area should be noted in this connection. Key-point rates were to be observed as maxima in constructing rates between points not provided with key-point rates.

Over routes via the Mississippi River crossings, Memphis and south thereof, the rates to and from points in the Southwest not more than 170 miles from the crossings were not to exceed the applicable rates east of the crossings plus arbitraries for the distance west of the crossings set forth in a "bridge scale" of arbitraries prescribed by the Commission. The bridge scale of arbitraries is shown in appendix H, herein.

Rates between the Southwest and Official Territory are governed by the Western Classification. See twenty-second supplemental report, *Consolidated Southwestern Cases*, 211 I. C. C. 575 (1935).

In the twenty-third supplemental report in the *Consolidated Southwestern Cases*, 211 I. C. C. 601 (1935), ocean-rail rates between points in Trunk-Line and New England Territories and the Southwest were prescribed by the Commission. These rates applied between specified key points in the Southwest and groups of points in the East. Three sets of first-class rates were prescribed, one for application via South Atlantic ports, one via New Orleans, and one via the Texas ports of Houston and Galveston. These rates are subject to the Western Classification. Rates on the lower classes carry the standard relationships to the first-class rates applied throughout Southwestern Territory. The ocean-rail rates are not fixed differentials under all-rail rates, but are constructed on a distance basis, with the result that the spreads under the all-rail rates are less to and from interior points in the Southwest than to and from points near the Gulf.

6. SOUTHWESTERN-SOUTHERN

The Southwestern-Southern class rate adjustment follows the pattern of other interterritorial rates to and from Southwestern Territory, and was prescribed by the Commission in the twenty-first supplemental report in the *Consolidated Southwestern Cases*, 205 I. C. C. 601 (1934).

Between 135 points in the Southwest and 48 in the South, key-point rates were prescribed with the usual provision for adding additional key points. No key points were provided in the western portion of Southern Territory. Between points in Southern Territory not provided with key rates, or not grouped with key points, and points in the Southwest the Southwestern zone II scale was to apply, plus zone differentials for the distances in zone III and IV of Southwestern Territory applied according to the Western Trunk-Line formula.

Between points in Southwestern Territory and east-bank Mississippi River crossings, Memphis and south thereof, the rates were not to exceed those constructed by the zone III scale plus the differentials for the distances in zone IV. It should be noted again, however, that zone IV no longer exists in the Southwest since zone III rates have been authorized for the area formerly known as zone IV.

Between points in Southern Territory and points in the Southwest not over 170 miles from the Mississippi River crossings, Memphis and south, the first-class rates may not exceed the rates applicable east of the crossings plus arbitraries set forth in the so-called bridge scale of arbitraries. These arbitraries are shown in appendix H, herein.

Rates between the South and Southwestern Territory are subject to the Western Classification.

7. TRANSCONTINENTAL

In large part the rates between Mountain-Pacific Territory and the other rate territories fall under what is called the transcontinental rate structure. The transcontinental class-rate structure, however, is not of very great importance since commodity rates are published on most commodities that move in substantial volume.

Between Pacific coast terminals, on the one hand, including interior points in the far Western States, and the eastern two-thirds of the United States on the other hand, rates are constructed on a group basis.

The area covered by the eastern groups extends from the Atlantic seaboard westward to, or nearly to, the Rocky Mountains. The eastern groups cover the area embraced within Eastern or Official Territory, Southern Territory, and most of Western Trunk-Line and Southwestern Territories. The eastern groups are designated by letters from A to N, with some subgroups. The groups are shown on the map in figure 8. This grouping differs somewhat according to whether the western origins or destinations are in the North Pacific Coast Territory or the South Pacific Coast Territory. The line dividing the North Pacific Coast and South Pacific Coast points is shown on the map.

The large size of the eastern groups necessarily means that the rates ignore considerable differences in distance. The group rates grade upward, however, from the west to the east, with the highest rates to and from points in groups A, K, and K1, which comprise the entire eastern seaboard States including New England.

The Pacific coast ports are also grouped in the transcontinental adjustment, but to and from many points the North Pacific Coast terminals take different rates than the South Pacific Coast terminals. This necessarily follows from the difference in grouping of the eastern points according to whether the traffic originates at or is destined to the North Pacific or South Pacific Coast terminals. Interior points on the main lines of the railroads are frequently given the terminal rates. Other interior points are given lower rates than the terminals on traffic to and from the eastern groups. This means that there is a rough conformity with the distance principle in the construction of the rates to or from the interior points. Points on branch lines usually take arbitraries over main-line points, and in some cases these rates exceed the rates applicable at the Pacific coast terminals.

There is considerable overlapping of the Western Trunk-Line and Mountain-Pacific rate structures with the transcontinental adjustment, particularly between points in the westernmost part of the eastern transcontinental groups and points in the eastern part of Mountain-Pacific Territory. On traffic between Minneapolis, for instance, and certain points in Mountain-Pacific Territory beyond the western boundary of zone IV, rates are published on the Western Trunk-Line basis, but when those rates exceed the transcontinental rates the latter apply. From Minneapolis to Boise, Idaho, the first-class rate published on the Western Trunk-Line basis is 464 cents, but the transcontinental rate of 462 cents to La Grande, Oreg., is held as a maximum and therefore applies. On third-class traffic, however, the Boise rate constructed on the Western Trunk-Line basis is 334 cents, which is 1 cent lower than the transcontinental rate from Minneapolis to La Grande. Between North Pacific Coast

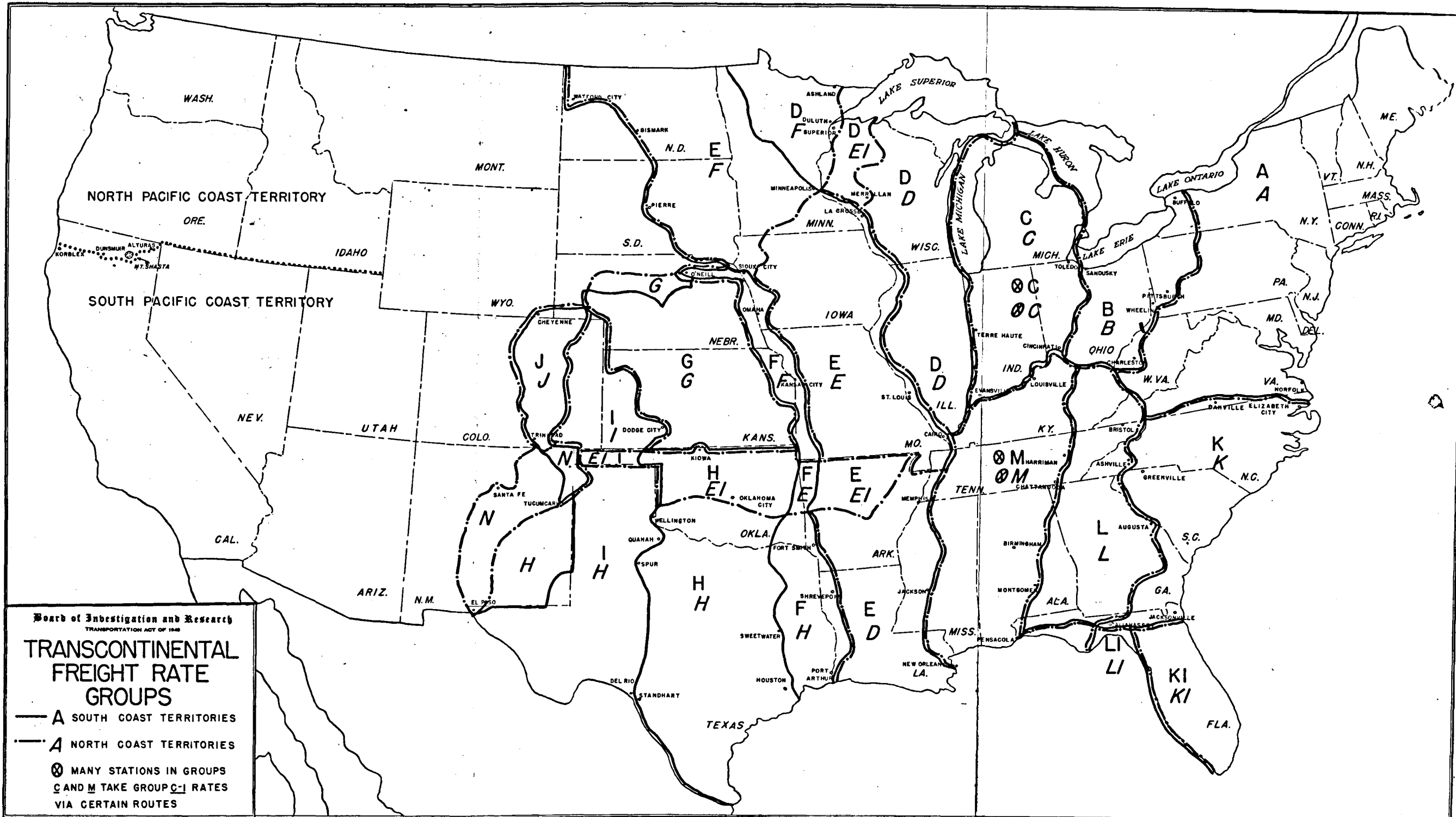


FIGURE 8

terminals and the western part of Western Trunk-Line Territory rates are published on the basis of the Arizona or Mountain-Pacific scale, but finally give way to the transcontinental rates when the latter are lower. The rate, for example, from Seattle to Mobridge, S. Dak., constructed on the Mountain-Pacific scale gives way to the transcontinental rate from Seattle to group F, in which Mobridge is located.

A similar overlapping of the Mountain-Pacific and Southwestern rate structures with the transcontinental rates occurs on traffic to and from South Pacific Coast Territory.

The Western Classification applies on transcontinental class traffic. It should be noted, however, that the percentage relationships of the lower classes to first class differ from those maintained in other class-rate scales, and in fact are not uniform within the transcontinental rate structure itself.

Steamship lines operating between the Atlantic and Pacific ports via the Panama Canal have maintained a system of class rates between the ports on a basis considerably below that of the all-rail routes. With the publication of a less-carload transcontinental rail all-commodity rate of \$2.75 per 100 pounds from group D and groups west thereof to west coast points in 1940, the United States Maritime Commission authorized the steamship lines engaged in intercoastal traffic to publish an all-commodity less-carload rate of \$2.25 and an all-commodity carload rate of \$2.10 per 100 pounds. These rates became effective October 17, 1940, and the regular intercoastal class rates were eliminated (third supplemental order in U. S. Maritime Commission Docket No. 514, *Intercoastal Rate Structure*).

B. ANALYSIS OF THE LEVELS OF INTERTERRITORIAL CLASS RATES

Certain features of the interterritorial class-rate structures described above should be emphasized because of their bearing on the interterritorial rate controversy.

OFFICIAL—SOUTHERN

As pointed out previously the interterritorial rates between the South and that part of Official Territory known as Central Freight Association Territory are constructed on the basis of the K-2-Q-1 formula. Figures 9 to 16, below, show the relation of the resulting first-class rates between Southern and Central Territories to the Southern and Official intraterritorial rates for the same distances. In figure 9 the first-class rates for distances of 600 to 900 miles (rates are plotted only for each hundred miles) are shown under the Southern Territory scale, and under the Official Territory scale, and also under the K-2-Q-1 formula when the haul in Southern Territory is 500 miles and the haul in Official Territory varies from 100 to 400 miles. The figure shows that the interterritorial rate for a haul of 600 miles, of which only 100 miles is in Official Territory, is higher than the regular Southern basis, but when the haul in Official Territory increases to 200 miles the interterritorial rate becomes slightly below the Southern rate for the same distance.

Figure 10 shows the interterritorial first-class rates under both the K-2-Q-1 basis, and under the North Carolina-Kentucky basis, for

distances ranging from 200 to 900 miles, when 100 miles of the haul occur in Southern Territory and the remainder of the haul occurs in Official Territory. It is noticeable that when half the haul occurs in each territory the K-2-Q-1 basis results in a rate almost as high as the rate under the Southern scale for the same distance. Only after the Southern portion of the haul becomes a small proportion of the whole distance is the K-2-Q-1 rate closer to the Official Territory than to the Southern Territory rate for the same distance. The North Carolina-Kentucky basis, however, results in rates which are somewhat closer to the Official Territory level.

Figures 11 to 16 compare the interterritorial first-class rates for varying distances when the haul in Official Territory is held constant and the haul in Southern Territory varies. Figures 15 and 16 show that when the distance in Official Territory is 100 miles or less the K-2-Q-1 basis results in rates slightly higher than the Southern scale for the same distance except when the haul in Southern Territory is also very short.

As pointed out previously, specific key-point rates were prescribed in the *Southern Class Rate case* for application between points in New England and Trunk-Line Territories and the South which are lower than would result from applying the K-2-Q-1 formula.

Table 102 shows the key-point first-class rates prescribed by the Commission between nine key points in Eastern Territory and seven important points in Southern Territory. It will be observed that in most instances the key-point rate is lower than would result from the application of the K-2-Q-1 formula. The key-point rates shown in the table are all higher than the Eastern first-class rate for the same distance, and in nearly every instance are lower than the first-class rate under the Southern scale. It is observable, however, that these rates are closer to the rate for the same distance under the Southern scale than to the rate under the Eastern scale, even when the haul in Official Territory appears to be as long as, or longer than, the haul in Southern Territory.

TABLE 102.—Comparison of representative key-point first-class rates applicable between Eastern Territory and the South with rates constructed on the K-2-Q-1 basis, and with Southern and Eastern first-class rates for the same distances ¹

[Rates in cents per hundred pounds]

	Through distance (miles)	Key rate ²	K-2-Q-1 rate ³	Percent key rate is of K-2-Q-1	Southern basis for entire distance ⁴	Eastern basis for entire distance ⁵
Between Augusta, Ga., and—						
Albany, N. Y.	920	196	215	91.2	217	158
Baltimore, Md.	604	165	173	95.4	175	125
Boston, Mass.	1,019	196	224	87.5	229	168
Cumberland, Md.	656	178	180	98.9	181	130
Harrisburg, Pa.	684	173	186	93.0	187	135
New York, N. Y.	789	180	197	91.4	202	145
Philadelphia, Pa.	696	173	186	93.0	187	135
Reading, Pa.	715	173	189	91.5	190	137
Rochester, N. Y.	951	209	218	95.9	223	163

¹ Rates do not include *Ex Parte* 123 increases.

² *Southern Class Rate Investigation*, 128 I. C. C. 567, 604, appendix 0-2.

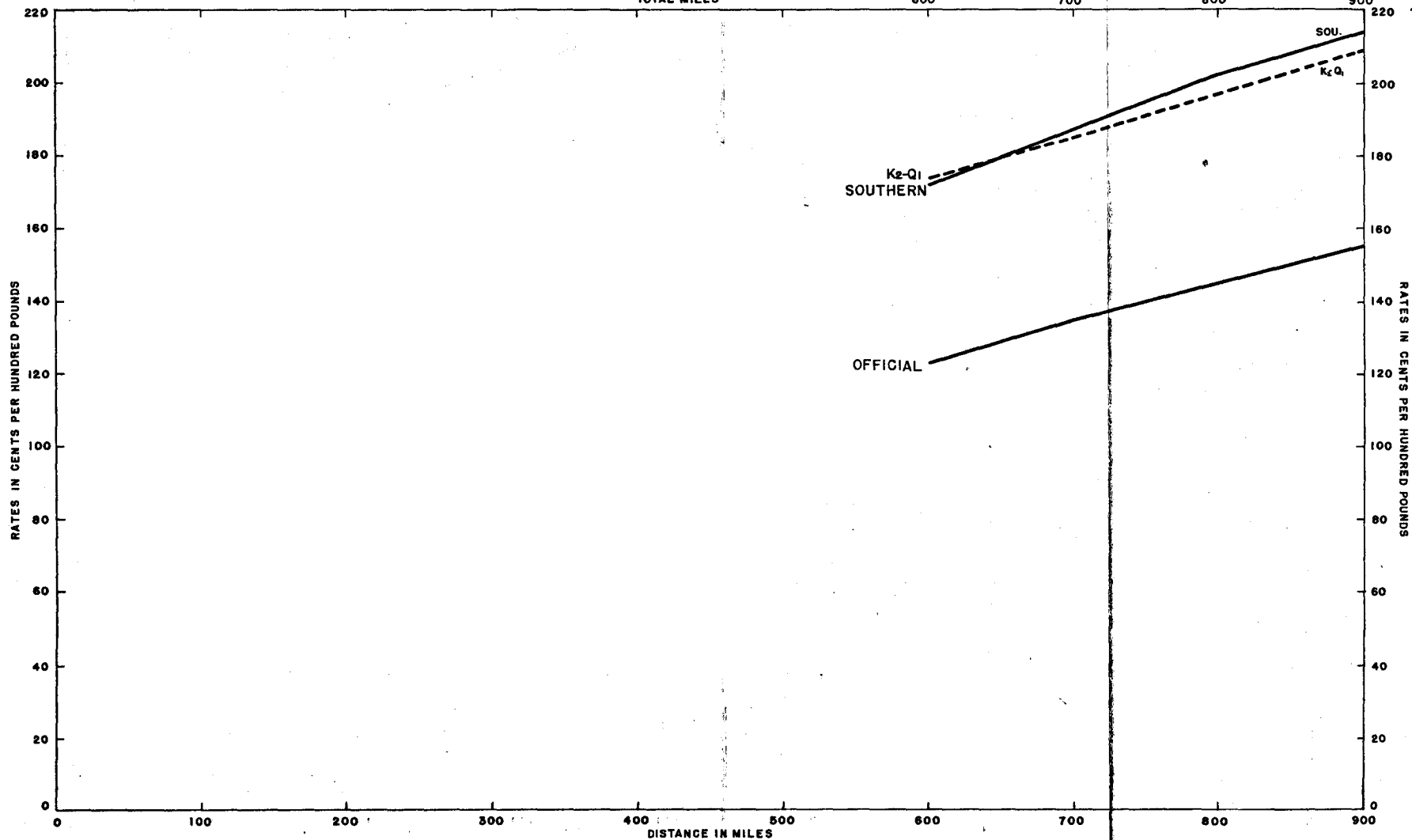
³ *Southern Class Rate Investigation*, 113 I. C. C. 200, 207; 128 I. C. C. 567, 603.

⁴ *Southern Class Rate Investigation*, 113 I. C. C. 200, 207.

⁵ *Eastern Class Rate Investigation*, 164 I. C. C. 314, 467, and 171 I. C. C. 481, 498.

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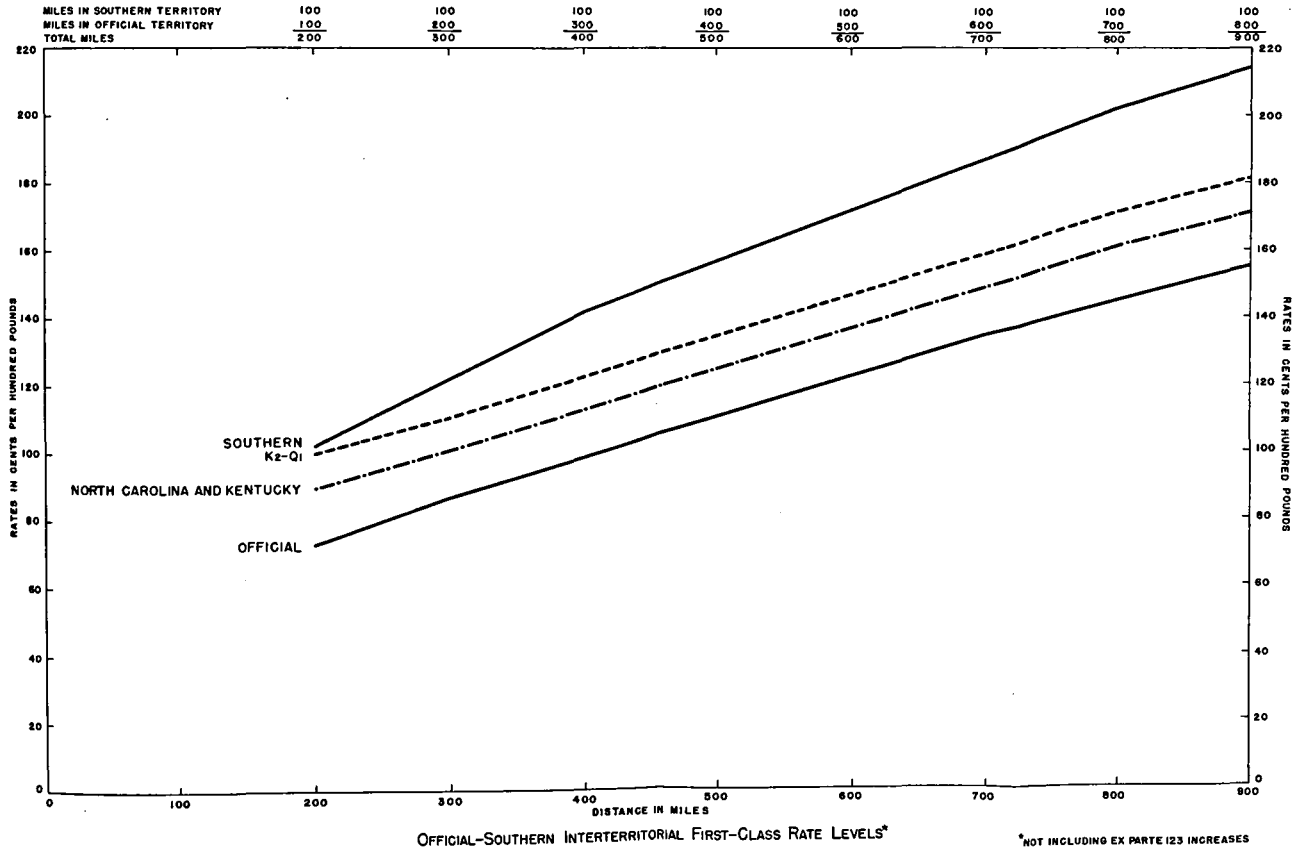
MILES IN SOUTHERN TERRITORY	500	500	500	500
MILES IN OFFICIAL TERRITORY	100	200	300	400
TOTAL MILES	600	700	800	900



OFFICIAL-SOUTHERN INTERTERRITORIAL FIRST-CLASS RATE LEVELS*

NOT INCLUDING EX PARTE 123 INCREASES

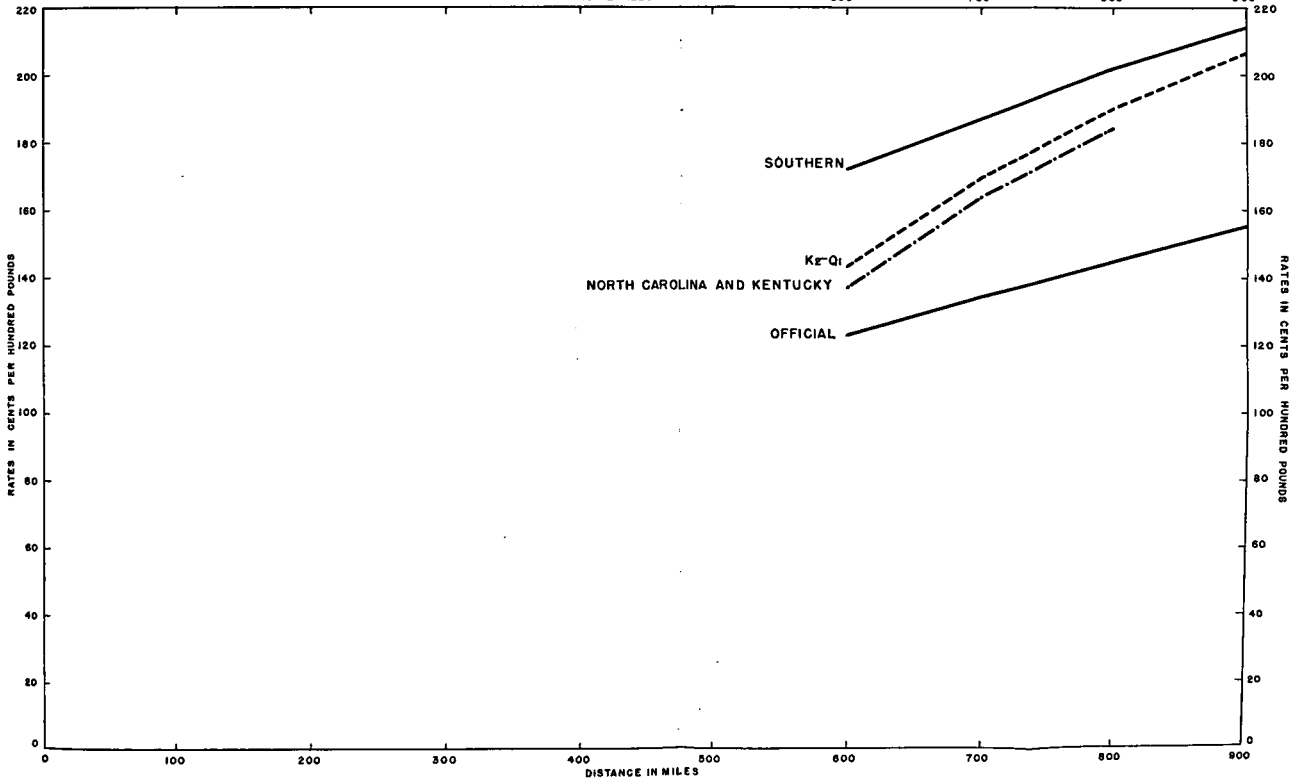
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MILES IN OFFICIAL TERRITORY 500
 MILES IN SOUTHERN TERRITORY 100
 TOTAL MILES 600

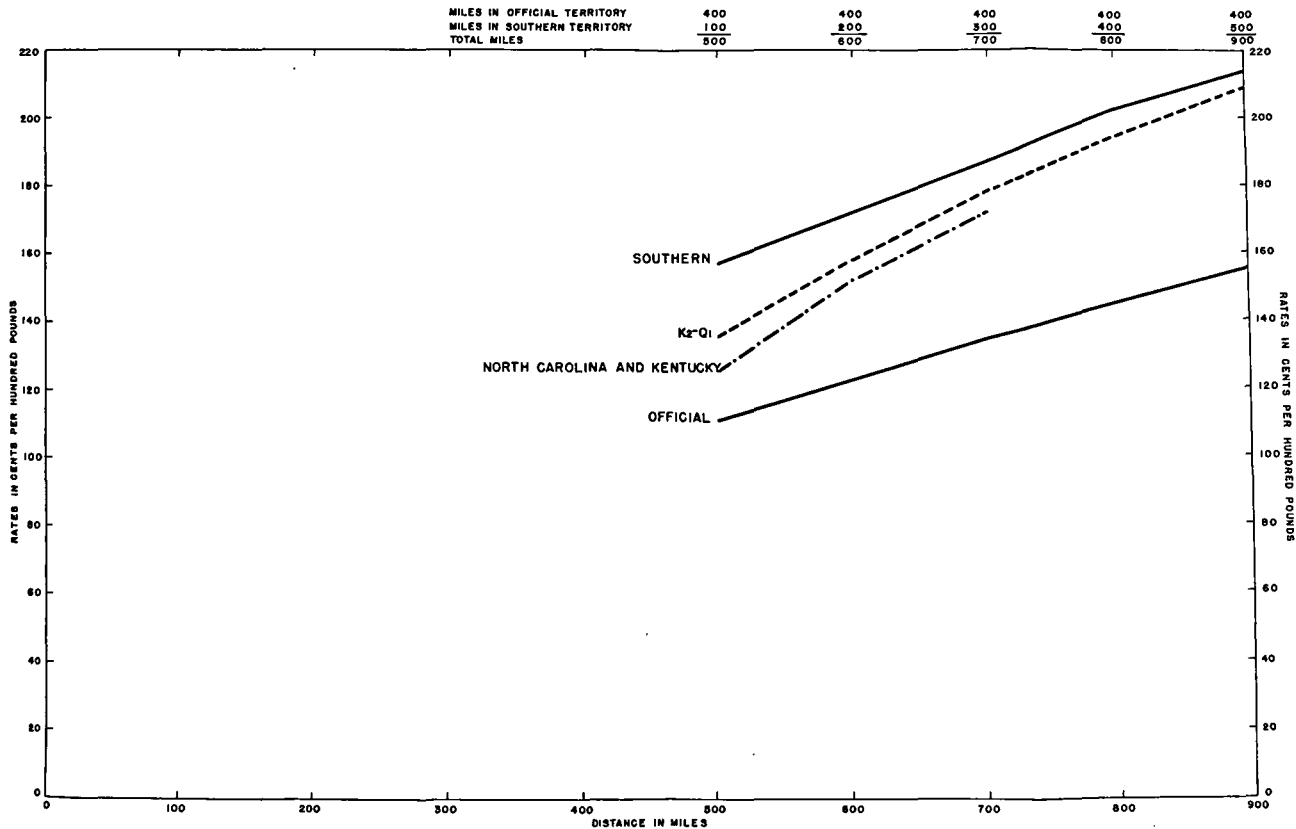
500 500 500 500
 200 200 300 400
 700 700 800 900



OFFICIAL-SOUTHERN INTERTERRITORIAL FIRST-CLASS RATE LEVELS*

* NOT INCLUDING EX PARTE 123 INCREASES

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OFFICIAL-SOUTHERN INTERTERRITORIAL FIRST-CLASS RATE LEVELS*

*NOT INCLUDING EX PARTE 123 INCREASES

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MILES IN OFFICIAL TERRITORY 300
MILES IN SOUTHERN TERRITORY 100
TOTAL MILES 400

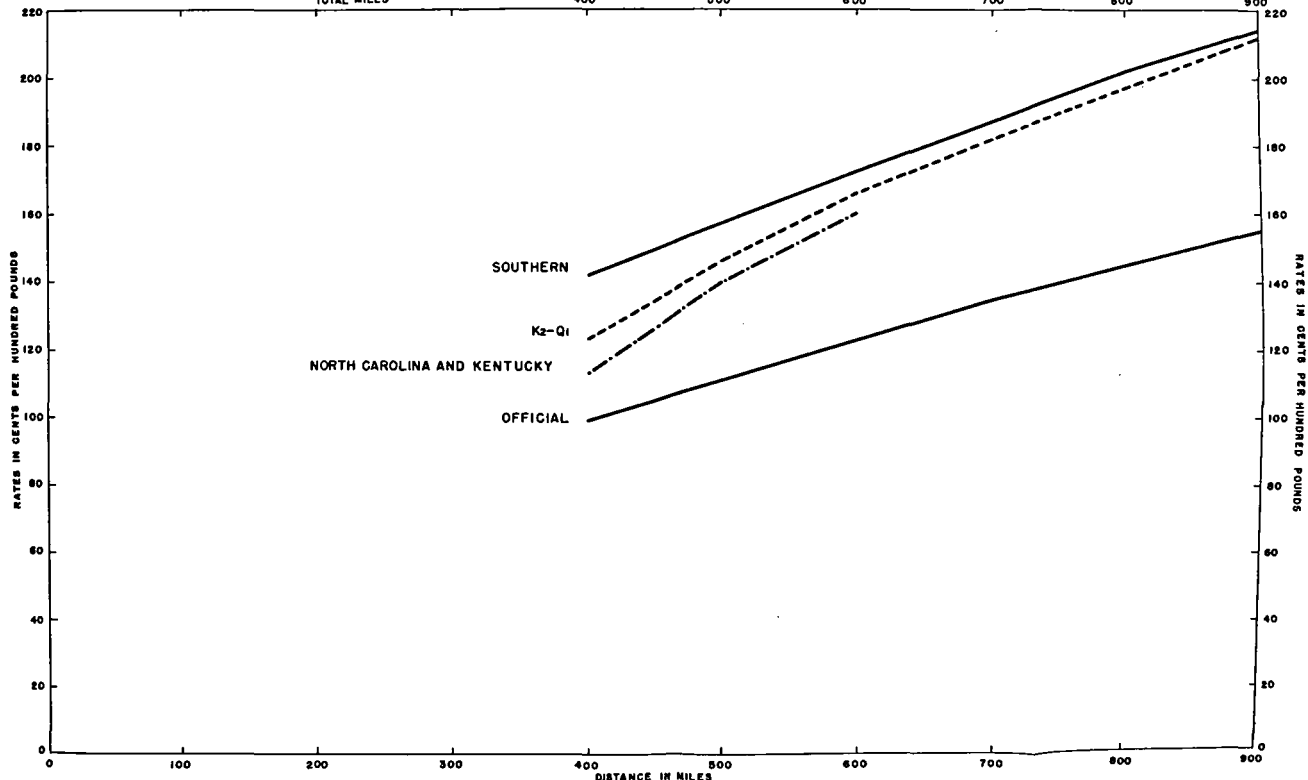
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200 600

300 300
300 600

300 300
400 700

300 300
500 800

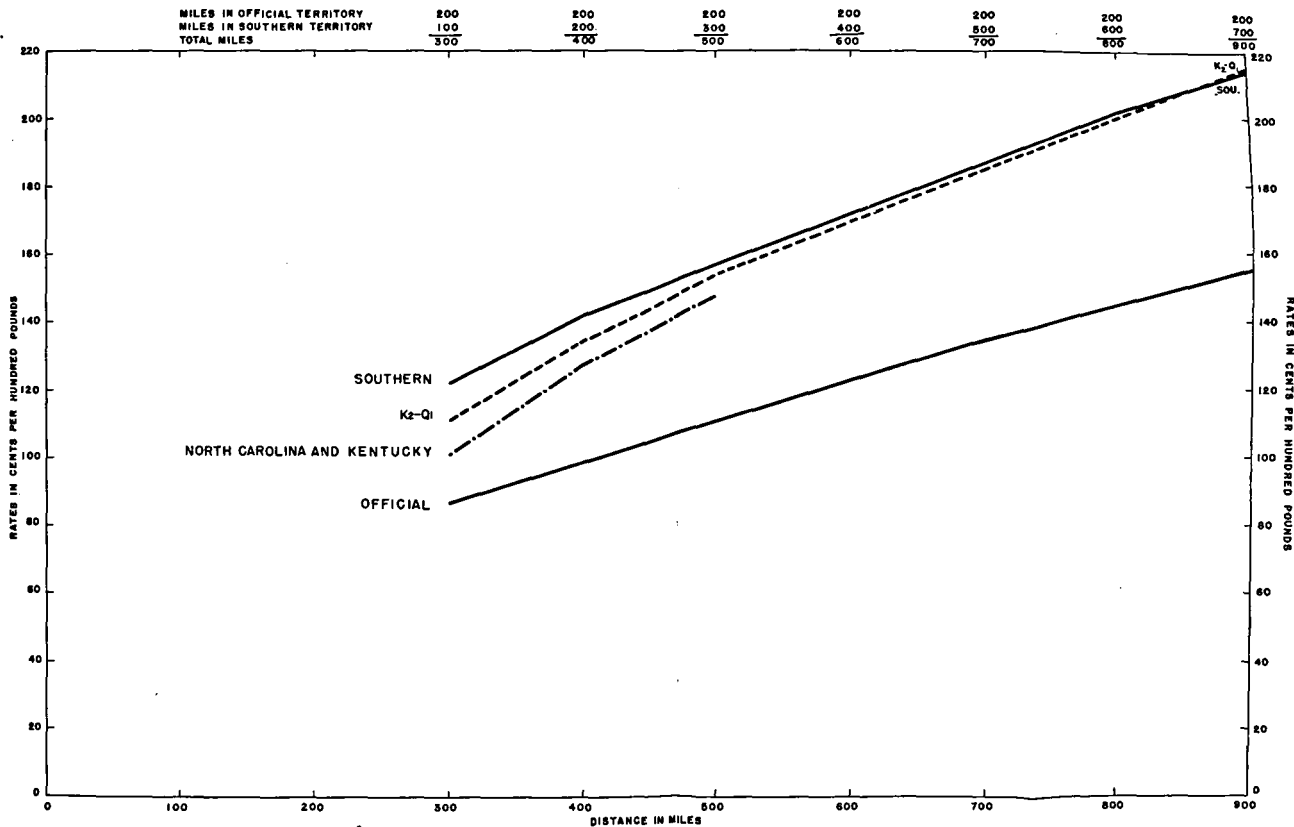
300 300
600 900



OFFICIAL-SOUTHERN INTERTERRITORIAL FIRST-CLASS RATE LEVELS*

* NOT INCLUDING EX PARTE INCREASES

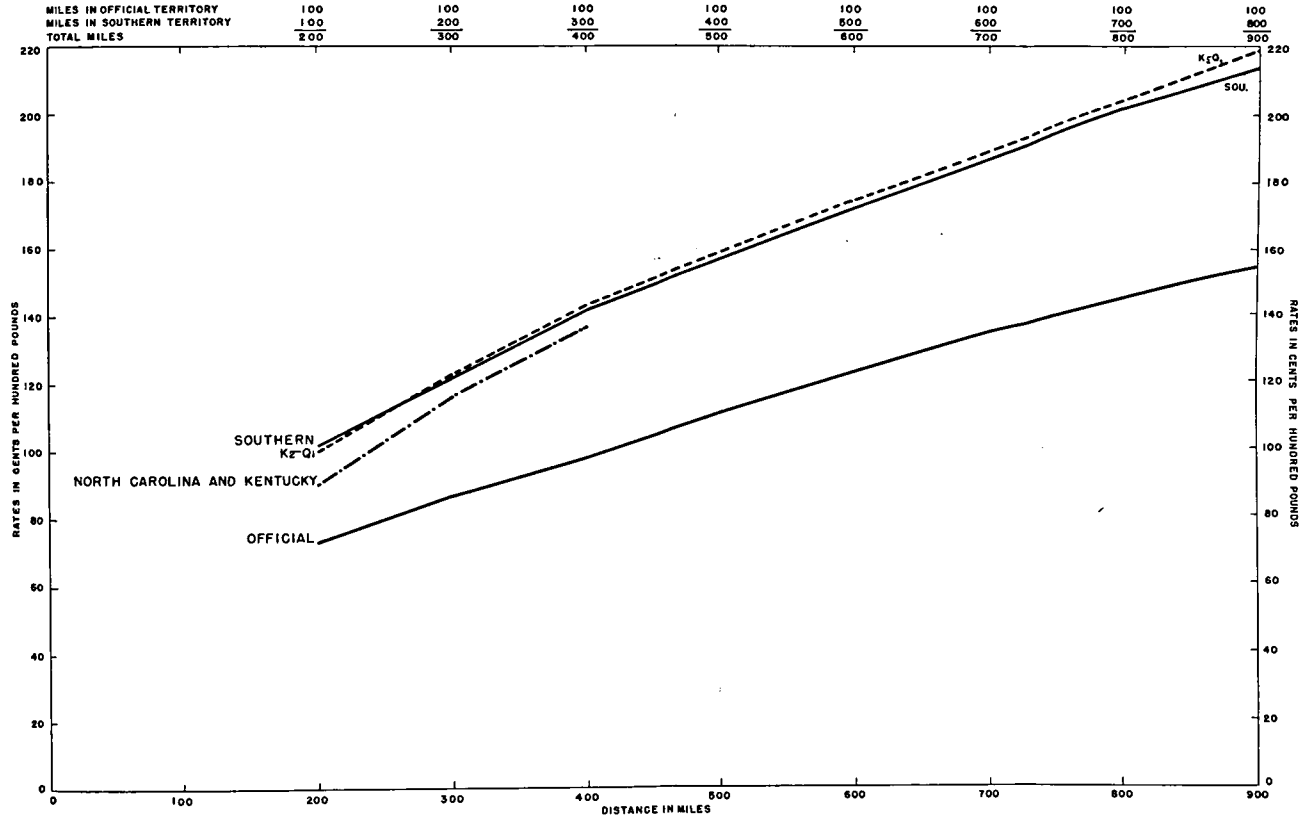
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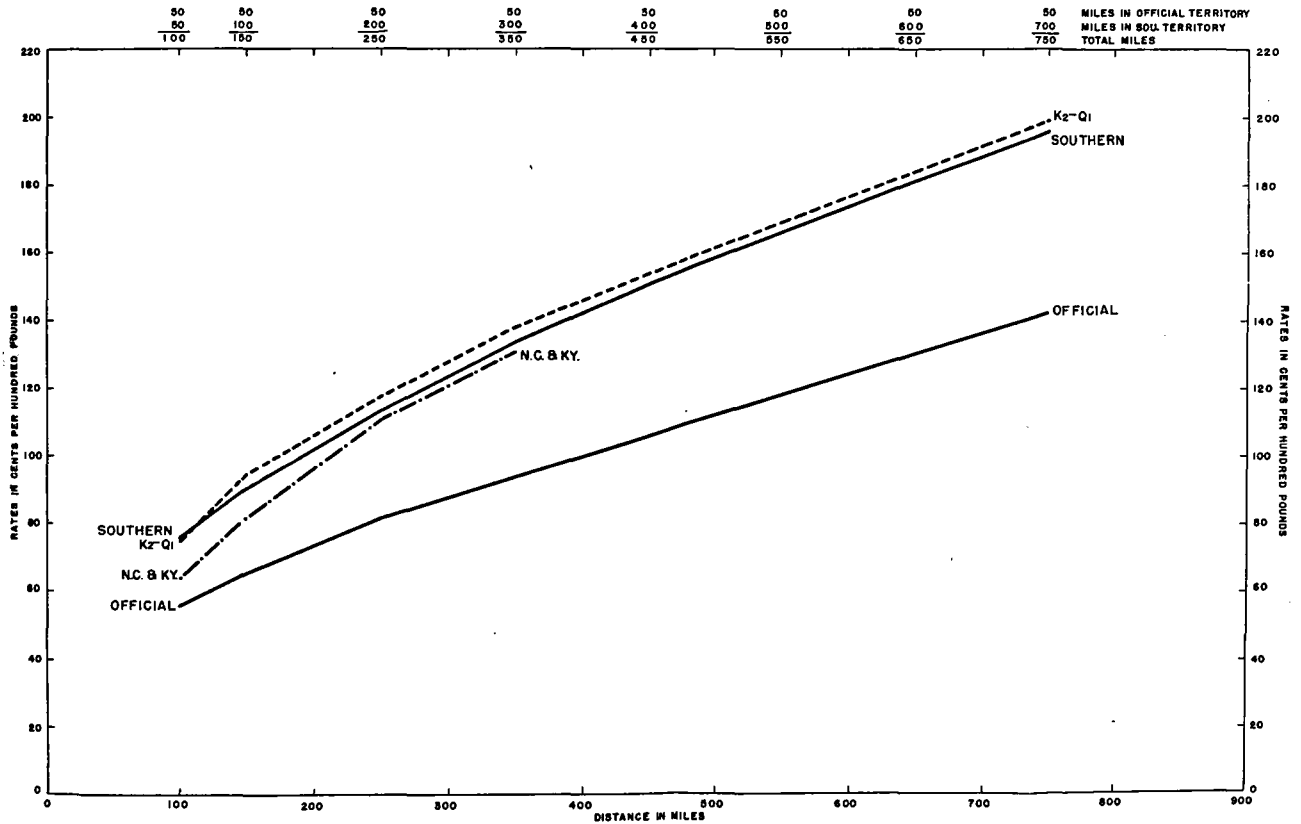
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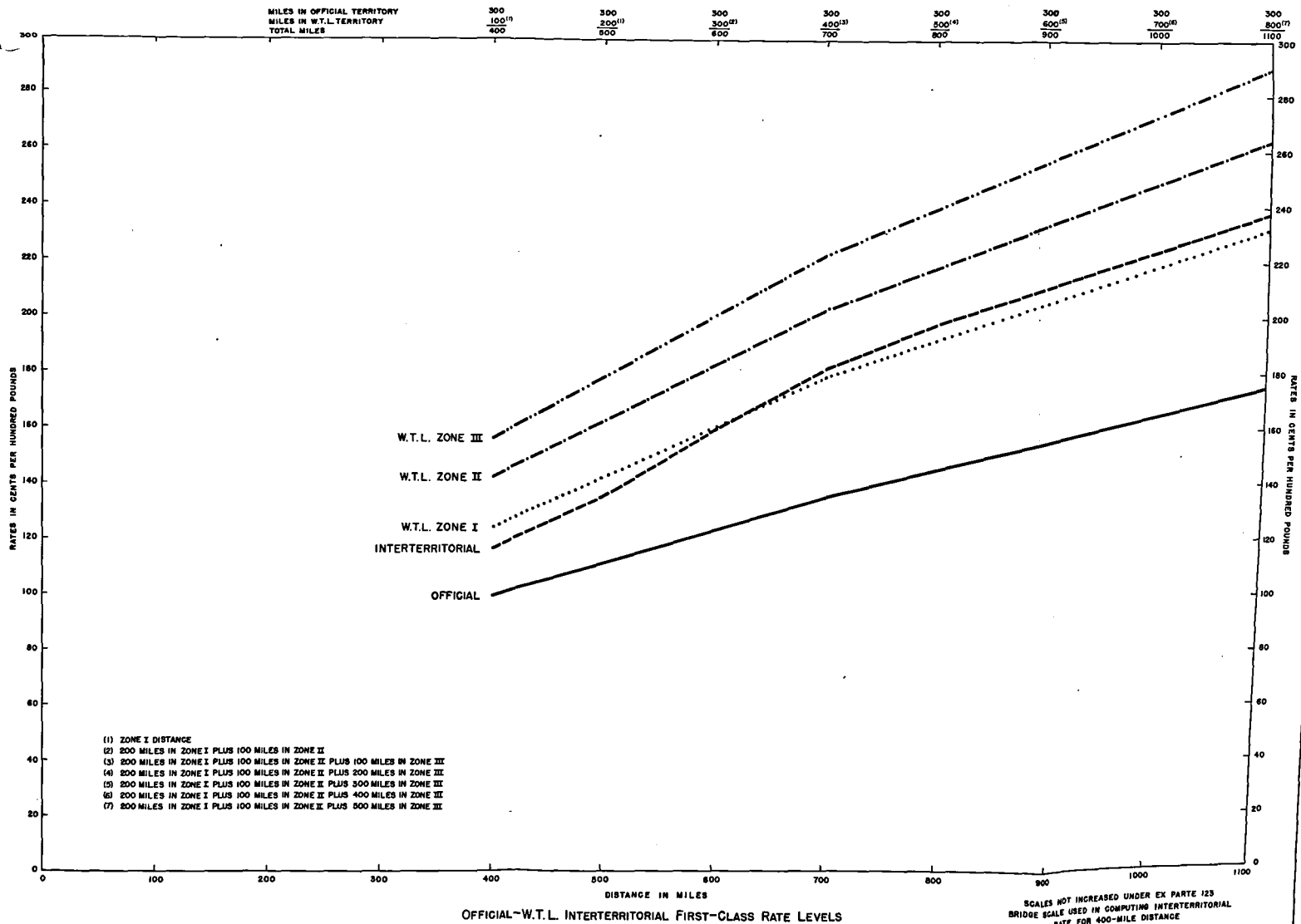
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OFFICIAL-SOUTHERN INTERTERRITORIAL FIRST-CLASS RATE LEVELS*

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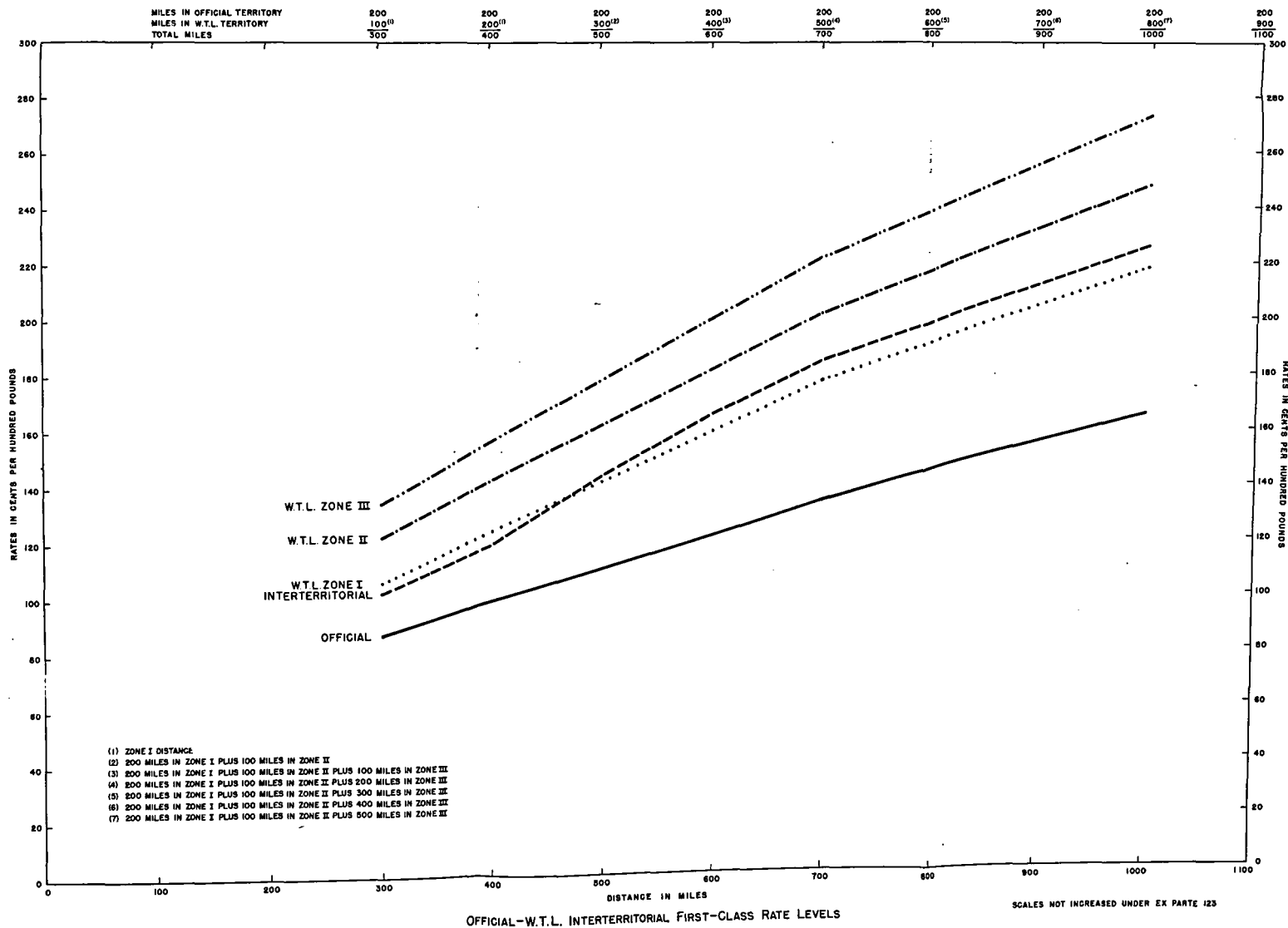


TABLE 102.—Comparison of representative key-point first-class rates applicable between Eastern Territory and the South with rates constructed on the K-2-Q-1 basis, and with Southern and Eastern first-class rates for the same distances—Con.

[Rates in cents per hundred pounds]

	Through distance (miles)	Key rate	K-2-Q-1 rate	Percent key rate is of K-2-Q-1	Southern basis for entire distance	Eastern basis for entire distance
Between Atlanta, Ga., and—						
Albany, N. Y.	999	209	224	93.3	226	165
Baltimore, Md.	687	178	185	96.2	187	135
Boston, Mass.	1,095	209	236	88.6	238	175
Cumberland, Md.	739	191	192	99.5	193	139
Harrisburg, Pa.	761	186	194	95.9	199	143
New York, N. Y.	868	193	209	92.3	211	153
Philadelphia, Pa.	775	186	197	94.4	199	143
Reading, Pa.	794	186	200	93.0	202	145
Rochester, N. Y.	958	214	215	99.5	223	163
Between Birmingham, Ala., and—						
Albany, N. Y.	1,121	230	242	95.0	241	178
Baltimore, Md.	809	201	203	99.0	205	148
Boston, Mass.	1,207	230	254	90.6	253	188
Cumberland, Md.	861	None	210		211	153
Harrisburg, Pa.	883	208	212	98.1	214	155
New York, N. Y.	990	215	227	94.7	226	163
Philadelphia, Pa.	897	208	215	96.7	214	155
Reading, Pa.	916	208	218	95.4	217	158
Rochester, N. Y.	964	None	220		223	163
Between Florence, Ala., and—						
Albany, N. Y.	1,129	225	231	97.4	244	180
Baltimore, Md.	838	209	206	101.5	208	150
Boston, Mass.	1,246	242	251	96.4	256	190
Cumberland, Md.	820	None	197		205	148
Harrisburg, Pa.	872	209	212	98.6	211	153
New York, N. Y.	1,019	225	230	97.8	229	168
Philadelphia, Pa.	926	217	218	99.5	220	160
Reading, Pa.	924	217	218	99.5	217	158
Rochester, N. Y.	906	None	209		217	158
Between Knoxville, Tenn., and—						
Albany, N. Y.	867	197	202	97.5	211	153
Baltimore, Md.	555	158	164	96.3	166	118
Boston, Mass.	963	197	214	92.1	223	163
Cumberland, Md.	547	None	166		169	120
Harrisburg, Pa.	589	163	169	96.4	172	123
New York, N. Y.	736	180	187	96.3	193	139
Philadelphia, Pa.	643	172	175	98.3	181	130
Reading, Pa.	641	172	175	98.3	181	130
Rochester, N. Y.	766	None	190		199	143
Between Memphis, Tenn., and—						
Albany, N. Y.	1,188	230	223	103.1	250	186
Baltimore, Md.	979	213	210	101.4	226	165
Boston, Mass.	1,372	243	240	101.3	271	203
Cumberland, Md.	885	None	193		214	155
Harrisburg, Pa.	1,013	213	208	102.4	229	168
New York, N. Y.	1,160	229	226	101.3	247	183
Philadelphia, Pa.	1,067	221	218	101.4	235	173
Reading, Pa.	1,065	221	213	103.8	235	173
Rochester, N. Y.	965	None	200		223	163
Between Nashville, Tenn., and—						
Albany, N. Y.	1,004	212	205	103.4	229	168
Baltimore, Md.	818	196	192	102.1	205	148
Boston, Mass.	1,188	229	225	101.8	250	185
Cumberland, Md.	695	None	171		187	135
Harrisburg, Pa.	839	196	189	103.7	208	150
New York, N. Y.	999	212	207	102.4	226	165
Philadelphia, Pa.	906	204	200	102.0	217	158
Reading, Pa.	891	204	193	104.6	214	155
Rochester, N. Y.	781	None	183		202	145

The characteristics of the Southern-Official class-rate structure may be summarized as follows:

First, the interterritorial first-class rates are higher than the Official Territory rates for the same distance, and are usually lower than the Southern Territory rates. They thus represent a blending of the two intraterritorial levels. Second, as the proportion of the haul that is in Southern Territory increases, the closer the interterritorial rates

come to the level applicable in Southern Territory. Third, the level of interterritorial rates is usually closer to the level of the rates in Southern Territory than to the level in Official Territory even though more than half of the haul may be in Official Territory. Fourth, occasionally the interterritorial rates are higher than the level in Southern Territory. Fifth, the North Carolina-Kentucky modified basis of interterritorial rates results in rates closer to the Official Territory level than would result from applying the K-2-Q-1 formula. Sixth, the key-point rates established between the South and the Eastern part of Official Territory are generally lower than rates constructed on the K-2-Q-1 formula, but are closer to the Southern level than to the Official Territory level.

WESTERN TRUNK-LINE—OFFICIAL

Between Western Trunk-Line Territory and the Western part of Official Territory the interterritorial class rates are constructed on the so-called Western Trunk-Line formula, or laminated basis, described earlier in this chapter. Figures 17 to 19 show the resulting interterritorial first-class rates for various distances when the haul in Official Territory is from 100 to 300 miles and the haul in Western Trunk-Line Territory varies from 100 to 800 miles. The rates tend to be considerably higher than the Official Territory level even when half the haul or more is in Official Territory. The interterritorial rates, however, do not rise much above the zone I level even when a considerable proportion of the haul is in zones II and III.

The laminated method of constructing interterritorial rates between Western Trunk-Line and Official Territories is not used to and from points east of Indiana. Between the eastern portion of Official Territory and Western Trunk-Line Territory key-point rates were prescribed by the Commission as previously pointed out.

Table 103 shows the key-point rates between various eastern points and points in Western Trunk-Line Territory. The table shows that these rates are usually slightly lower than would result from applying the Western Trunk-Line formula, or laminated scale. They are always higher than the rate for the same distance under the Eastern scale and lower than the rate which would apply for that distance under the scale applicable within the particular zone of Western Trunk-Line Territory in which the Western Trunk-Line key point lies. In many cases the key-point rate is slightly higher than the average of the rate for the full distance under the Eastern scale, and the Western Trunk-Line zone scale applicable in the zone in which the Western Trunk-Line key point is situated. This is true in some instances when the portion of the haul in Official Territory greatly exceeds the portion in Western Trunk-Line Territory. In many cases, however, the key-point rate is lower than the average of the rates prevailing in Official Territory and in the appropriate Western Trunk-Line zone for the same distance.

The Western Trunk-Line—Official interterritorial rates represent a blend of the intraterritorial levels, but from a consideration of the manner in which they are constructed it is apparent that they are higher than a blended basis would produce if the rates were to reflect intraterritorial levels in proportion to the distance in each territory.

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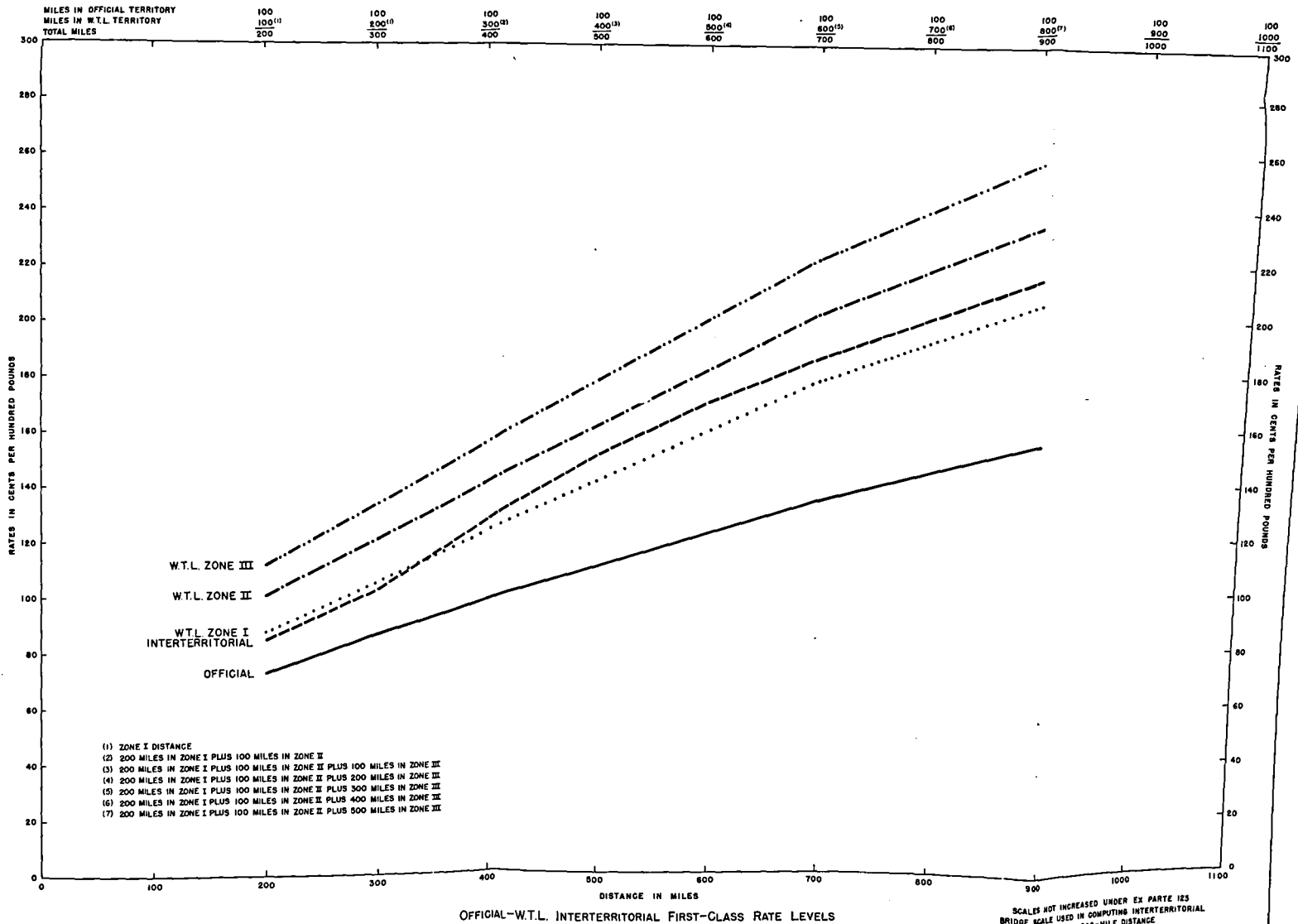


TABLE 103.—Statement comparing interterritorial key-point first-class rates between Western Trunk-Line Territory and Eastern Territory with Western Trunk-Line formula rate, and rates under scales applicable in Western Trunk-Line and Eastern Territories

[Rates in cents per hundred pounds. Include *Ex parte* 12½ increases]

	Miles	Key-point rate ¹	Western Trunk-Line formula rate ²	Relation of key-point rate to formula rate (percent)	Rate under Eastern scale ³	Relation of key-point rate to Eastern scale (percent)	Rate under Western Trunk-Line zone scale ⁴	Relation of key-point rate to Western Trunk-Line zone scale (percent)
Between Minneapolis, Minn. (zone I) and—								
Boston, Mass.....	1,267	250	260	96.2	212	117.9	282	88.7
New York, N. Y.....	1,194	239	251	95.2	204	117.2	270	88.5
Baltimore, Md.....	1,161	233	247	94.3	201	115.9	266	87.6
Richmond, Va.....	1,226	241	257	93.8	209	115.3	277	87.0
Albany, N. Y.....	1,080	228	237	96.2	193	118.1	255	89.4
Syracuse, N. Y.....	936	209	218	95.9	176	118.7	233	89.7
Cumberland, Md.....	991	213	224	95.1	182	117.0	240	88.8
Johnstown, Pa.....	927	207	218	94.9	176	117.6	233	88.8
Pittsburgh, Pa.....	849	196	204	96.1	165	118.8	218	89.9
Cleveland, Ohio.....	721	183	190	96.3	153	119.6	201	91.0
Columbus, Ohio.....	695	178	185	96.2	149	119.5	196	90.8
Cincinnati, Ohio.....	683	178	185	96.2	149	119.5	196	90.8
Detroit, Mich.....	601	164	171	95.9	138	118.8	180	91.1
Adrian, Mich.....	586	165	168	98.2	135	122.2	176	93.8
Between Des Moines, Iowa (zone I) and—								
Boston, Mass.....	1,301	242	264	91.7	218	111.0	289	83.7
New York, N. Y.....	1,215	230	251	91.6	207	111.1	274	83.9
Baltimore, Md.....	1,092	217	234	92.7	193	112.4	255	85.1
Richmond, Va.....	1,130	222	241	92.1	198	112.1	263	84.4
Albany, N. Y.....	1,117	221	238	92.9	196	112.8	260	85.0
Syracuse, N. Y.....	973	204	218	93.6	179	113.9	237	86.1
Cumberland, Md.....	923	200	211	94.8	174	114.9	230	86.9
Johnstown, Pa.....	857	195	205	95.1	168	116.1	222	87.8
Pittsburgh, Pa.....	779	185	193	95.8	157	117.8	208	88.9
Cleveland, Ohio.....	657	169	175	96.6	143	118.2	188	89.9
Columbus, Ohio.....	618	164	168	97.6	138	118.8	180	91.1
Cincinnati, Ohio.....	560	158	158	100.0	130	121.5	168	94.0
Detroit, Mich.....	595	161	165	97.6	135	119.3	176	91.5
Adrian, Mich.....	502	154	155	99.4	124	124.2	161	95.7
Between Kansas City, Mo. (zone I) and—								
Boston, Mass.....	1,398	263	275	95.6	226	116.4	299	88.0
New York, N. Y.....	1,289	248	261	95.0	215	115.3	285	87.0
Baltimore, Md.....	1,139	234	241	97.1	198	118.2	263	89.0
Richmond, Va.....	1,168	237	244	97.1	201	117.9	266	89.1
Albany, N. Y.....	1,215	240	252	95.2	207	115.9	274	87.6
Syracuse, N. Y.....	1,070	221	232	95.3	190	116.3	252	87.7
Cumberland, Md.....	977	215	221	97.3	182	118.1	240	89.6
Johnstown, Pa.....	930	208	215	96.7	176	118.2	233	89.3
Pittsburgh, Pa.....	852	197	205	96.1	168	117.3	222	88.7
Cleveland, Ohio.....	746	184	191	96.3	155	118.7	205	89.8
Columbus, Ohio.....	668	176	178	98.9	145	121.4	193	91.2
Cincinnati, Ohio.....	599	165	165	100.0	135	122.2	176	93.8
Detroit, Mich.....	693	178	183	97.3	149	119.5	196	90.8
Adrian, Mich.....	635	171	173	98.8	141	121.3	185	92.4
Between Omaha, Nebr. (zone I) and—								
Boston, Mass.....	1,445	268	284	94.4	231	116.0	307	87.3
New York, N. Y.....	1,355	259	274	94.5	223	116.1	296	87.5
Baltimore, Md.....	1,225	244	257	94.9	207	117.9	274	89.1
Richmond, Va.....	1,258	249	260	95.8	212	117.5	282	88.3
Albany, N. Y.....	1,261	248	260	95.4	212	117.0	282	87.9
Syracuse, N. Y.....	1,117	229	241	95.0	196	116.8	260	88.1
Cumberland, Md.....	1,064	224	234	95.7	180	117.9	252	88.9
Johnstown, Pa.....	1,000	218	224	97.3	182	119.8	240	90.8
Pittsburgh, Pa.....	922	207	214	96.7	174	119.0	230	90.0
Cleveland, Ohio.....	800	194	201	96.5	160	121.2	210	92.4
Columbus, Ohio.....	747	187	193	96.9	155	120.6	205	91.2
Cincinnati, Ohio.....	689	180	185	97.3	149	120.8	196	91.8
Detroit, Mich.....	739	187	190	98.4	153	122.2	201	93.0
Adrian, Mich.....	646	180	181	99.4	143	125.9	188	95.7

Footnotes at end of table.

TABLE 103.—Statement comparing interterritorial key-point first-class rates between Western Trunk-Line Territory and Eastern Territory with Western Trunk-Line formula rate, and rates under scales applicable in Western Trunk-Line and Eastern Territories—Continued.

[Rates in cents per hundred pounds. Include *Ex Parte* 195 increases]

	Miles	Key-point rate ¹	Western Trunk-Line formula rate ²	Relation of key-point rate to formula rate (percent)	Rate under Eastern scale ³	Relation of key-point rate to Eastern scale (percent)	Rate under Western Trunk-Line zone scale ⁴	Relation of key-point rate to Western Trunk-Line zone scale (percent)
Between Fergus Falls, Minn. (zone II) and—								
Boston, Mass.....	1,437	295	302	97.7	231	127.7	350	84.3
New York, N. Y.....	1,368	284	292	97.3	223	127.4	338	84.0
Baltimore, Md.....	1,336	278	288	96.5	220	126.4	332	83.8
Richmond, Va.....	1,401	289	298	97.0	229	126.2	345	83.8
Albany, N. Y.....	1,254	273	278	98.2	212	128.8	320	85.3
Syracuse, N. Y.....	1,109	253	259	97.7	196	129.1	295	85.8
Cumberland, Md.....	1,166	259	265	97.7	201	128.9	304	85.2
Johnstown, Pa.....	1,102	252	259	97.3	198	128.6	298	85.4
Pittsburgh, Pa.....	1,023	241	245	98.4	185	130.3	277	87.0
Cleveland, Ohio.....	896	224	229	97.8	171	131.0	256	87.8
Columbus, Ohio.....	871	220	226	97.3	168	130.9	252	87.3
Cincinnati, Ohio.....	856	220	226	97.3	168	130.9	252	87.3
Detroit, Mich.....	776	207	214	96.7	157	131.8	235	88.1
Adrian, Mich.....	763	208	214	97.2	157	132.8	235	88.6
Between Fargo, N. Dak. (zone II) and—								
Boston, Mass.....	1,493	303	309	98.0	237	127.8	359	84.4
New York, N. Y.....	1,421	294	299	98.3	229	128.4	345	85.2
Baltimore, Md.....	1,392	288	297	97.0	226	127.4	341	84.8
Richmond, Va.....	1,456	299	307	97.4	234	127.8	354	84.8
Albany, N. Y.....	1,309	281	286	98.3	218	128.9	329	85.4
Syracuse, N. Y.....	1,168	262	266	98.5	201	130.3	304	86.2
Cumberland, Md.....	1,221	268	274	97.8	207	129.5	311	86.2
Johnstown, Pa.....	1,157	262	267	98.1	201	130.3	304	86.2
Pittsburgh, Pa.....	1,079	250	257	97.3	193	129.5	290	86.2
Cleveland, Ohio.....	951	235	241	97.5	179	131.3	270	87.0
Columbus, Ohio.....	926	231	234	97.1	176	131.3	268	87.2
Cincinnati, Ohio.....	911	231	234	98.7	174	132.8	261	88.5
Detroit, Mich.....	831	217	224	96.9	165	131.5	248	87.5
Adrian, Mich.....	816	218	224	97.3	163	133.7	243	89.7
Between Topeka, Kans. (zone II) and—								
Boston, Mass.....	1,463	281	296	94.9	234	120.1	354	79.4
New York, N. Y.....	1,353	266	283	94.0	223	119.3	338	78.7
Baltimore, Md.....	1,204	252	263	95.8	207	121.7	311	81.0
Richmond, Va.....	1,233	252	266	94.7	209	120.6	316	79.7
Albany, N. Y.....	1,290	259	273	94.9	215	120.5	325	79.7
Syracuse, N. Y.....	1,135	240	253	94.9	199	121.2	299	80.3
Cumberland, Md.....	1,042	232	240	96.7	187	124.1	282	82.3
Johnstown, Pa.....	995	226	233	97.0	182	124.2	273	82.8
Pittsburgh, Pa.....	917	215	223	96.4	174	123.6	261	82.4
Cleveland, Ohio.....	811	201	210	95.7	163	123.3	243	82.7
Columbus, Ohio.....	733	193	199	97.0	153	126.1	229	84.3
Cincinnati, Ohio.....	664	183	190	96.3	145	126.2	218	83.9
Detroit, Mich.....	758	195	202	97.0	155	126.5	232	84.5
Adrian, Mich.....	696	189	194	97.4	149	126.8	222	85.1
Between Grand Island, Nebr. (zone II) and—								
Boston, Mass.....	1,579	303	319	95.0	248	122.2	375	80.8
New York, N. Y.....	1,494	292	306	95.4	237	123.2	359	81.3
Baltimore, Md.....	1,362	277	290	95.5	223	124.2	338	82.0
Richmond, Va.....	1,395	281	293	95.9	226	124.3	341	82.4
Albany, N. Y.....	1,396	281	293	95.9	226	124.3	341	82.4
Syracuse, N. Y.....	1,251	262	276	94.9	212	123.6	320	81.9
Cumberland, Md.....	1,200	257	267	96.2	204	126.0	307	83.7
Johnstown, Pa.....	1,136	251	260	96.5	198	126.7	299	83.9
Pittsburgh, Pa.....	1,058	241	250	96.4	190	126.8	296	84.3
Cleveland, Ohio.....	937	227	234	97.0	176	129.0	265	85.7
Columbus, Ohio.....	884	220	227	96.9	171	128.7	256	86.0
Cincinnati, Ohio.....	826	213	220	96.8	165	129.1	248	85.9
Detroit, Mich.....	874	220	224	98.2	168	131.0	252	87.3
Adrian, Mich.....	783	215	217	99.1	160	134.4	239	89.9

Footnotes at end of table.

TABLE 103.—Statement comparing interterritorial key-point first-class rates between Western Trunk-Line Territory and Eastern Territory with Western Trunk-Line formula rate, and rates under scales applicable in Western Trunk-Line and Eastern Territories—Continued.

[Rates in cents per hundred pounds. Include *Ex Parte* 123 increases]

	Miles	Key-point rate ¹	Western Trunk-Line formula rate ²	Relation of key-point rate to formula rate (percent)	Rate under Eastern scale ³	Relation of key-point rate to Eastern scale (percent)	Rate under Western Trunk-Line zone scale ⁴	Relation of key-point rate to Western Trunk-Line zone scale (percent)
Between Bismarck, N. Dak. (zone III) and—								
Boston, Mass.....	1,680	348	358	97.2	• 259	134.4	431	80.7
New York, N. Y.....	1,610	340	348	97.7	• 251	135.5	418	81.3
Baltimore, Md.....	1,581	334	344	97.1	• 248	134.7	413	80.9
Richmond, Va.....	1,650	344	351	98.0	• 253	136.0	422	81.5
Albany, N. Y.....	1,497	326	331	98.5	• 237	137.6	394	82.7
Syracuse, N. Y.....	1,352	307	315	97.5	• 223	137.7	371	82.7
Cumberland, Md.....	1,413	315	321	98.1	• 229	137.6	381	82.7
Johnstown, Pa.....	1,349	308	311	99.0	• 220	140.0	366	84.2
Pittsburgh, Pa.....	1,271	297	301	98.7	• 212	140.1	352	84.4
Cleveland, Ohio.....	1,143	282	285	98.9	• 198	142.4	329	85.7
Columbus, Ohio.....	1,119	278	282	98.6	• 196	141.8	325	85.5
Cincinnati, Ohio.....	1,105	277	282	98.2	• 196	141.3	325	85.2
Detroit, Mich.....	1,022	264	268	98.5	• 185	142.7	306	86.3
Adrian, Mich.....	1,008	264	268	98.5	• 185	142.7	306	86.3
Between Wichita, Kans. (zone III) and—								
Boston, Mass.....	1,598	314	326	96.3	• 248	126.6	413	76.0
New York, N. Y.....	1,458	299	313	95.5	• 237	126.2	394	75.9
Baltimore, Md.....	1,338	285	293	97.3	• 220	129.5	366	77.9
Richmond, Va.....	1,362	285	302	94.4	• 223	127.8	371	76.8
Albany, N. Y.....	1,415	292	303	96.4	• 229	127.5	381	76.6
Syracuse, N. Y.....	1,270	273	283	96.5	• 212	128.8	352	77.6
Cumberland, Md.....	1,178	265	274	96.7	• 204	129.9	338	78.4
Johnstown, Pa.....	1,130	259	267	97.0	• 198	130.8	329	78.7
Pittsburgh, Pa.....	1,052	249	257	98.9	• 190	131.1	315	79.0
Cleveland, Ohio.....	946	234	241	97.1	• 176	133.0	292	80.1
Columbus, Ohio.....	867	224	231	97.0	• 168	133.3	277	80.9
Cincinnati, Ohio.....	796	217	226	96.0	• 160	135.6	263	82.5
Detroit, Mich.....	893	229	234	97.9	• 171	133.9	282	81.2
Adrian, Mich.....	834	221	227	97.4	• 165	133.9	273	81.0
Between Denver, Colo. (zone III) and—								
Boston, Mass.....	1,973	398	404	98.5	• 289	137.7	• 483	82.4
New York, N. Y.....	1,886	385	394	97.7	• 281	137.0	469	82.1
Baltimore, Md.....	1,746	371	374	99.2	• 264	140.5	441	84.1
Richmond, Va.....	1,778	371	383	96.9	• 270	137.4	450	82.4
Albany, N. Y.....	1,789	376	381	98.7	• 270	139.3	450	83.6
Syracuse, N. Y.....	1,645	358	361	99.2	• 253	141.5	422	84.8
Cumberland, Md.....	1,587	351	358	98.6	• 248	141.5	413	85.0
Johnstown, Pa.....	1,528	344	348	98.9	• 242	142.1	404	85.1
Pittsburgh, Pa.....	1,450	332	335	99.1	• 231	143.7	385	86.2
Cleveland, Ohio.....	1,328	318	321	99.1	• 220	144.5	366	86.9
Columbus, Ohio.....	1,275	310	315	98.4	• 212	146.2	352	88.1
Cincinnati, Ohio.....	1,209	304	307	99.0	• 207	146.9	343	88.6
Detroit, Mich.....	1,267	309	311	99.4	• 212	145.8	352	87.8
Adrian, Mich.....	1,174	304	305	99.7	• 201	151.2	333	91.3

¹ Key rates prescribed in sixth supplemental report, I. C. C. Docket No. 17000, pt. 2, 204 I. C. C. 595, appendix W, decided Oct. 9, 1934.

² Rates constructed on Western Trunk-Line distance formula with scales and differentials prescribed in sixth supplemental report, I. C. C. Docket No. 17000, pt. 2, 204 I. C. C. 595, appendix U, decided Oct. 9, 1934.

³ Eastern appendix E scale, I. C. C. Docket No. 15879, 164 I. C. C. 314 decided May 13, 1930.

⁴ Scales shown in appendix U of sixth supplemental report, I. C. C. Docket No. 17000, pt. 2, 204 I. C. C. 595, decided Oct. 9, 1934.

⁵ Scale extended at same rate of progression as used where scale ended.

NOTE.—Authority for distances and for formula rates shown in this table is eastern railroad's statements Nos. AB and AC, filed in I. C. C. Docket No. 28277.

WESTERN TRUNK-LINE—SOUTHERN

As pointed out previously, the rates between Western Trunk-Line and Southern Territories are not constructed on a scale, but are built around specific key-point rates.

Table 103A compares a number of the key-point first-class rates with those constructed on the origin and destination scales for the same distances. The table shows that except for the rates between Des Moines, Iowa, and Birmingham, Ala., and Chattanooga, Tenn., the key-point rates shown are higher than would apply for the same distance under the Southern scale. Likewise, the key-point rates are higher, when the western point is in zone I, than would result from the application of the zone I scale for the entire distance. When the western point is in zone II or zone III, however, the key-point rates shown in the table are lower than would result from the application of the scale within such zone for the whole distance. In many instances the key-point rates are higher than the average of the rate for the full distance under the Southern scale and the rate under the Western Trunk-Line zone scale applicable within the zone in which the western point is located.

It should be noted that the routes between points in Southern and Western Trunk-Line Territories pass through portions of either Official Territory or Southwestern Territory, and the key-point rates reflect to some extent the rate levels in the intermediate territories.

SOUTHWESTERN—OFFICIAL AND SOUTHWESTERN—SOUTHERN

Table 104 shows the key-point first-class rates between Southwestern Territory and points in Eastern and Southern Territories. The key-point rates are usually slightly below the rates that would be obtained by using the laminated scale. They are also higher than the rates for the same distances under the Eastern scale, or under the Southern scale if the key point is in Southern Territory. The key-point rates are lower than would result from the Southwestern scale, but they are frequently higher than the average of the rates under the Official Territory and Southwestern Territory scales for the full distance, even though the haul in Official Territory is much longer than the haul in Southwestern Territory.

CONCLUSION

The interterritorial class rates represent a blending of the levels in the origin and destination territories, although there is a tendency for them to be closer to the level of the higher-rated territory. The prevailing interterritorial class-rate adjustments may be criticized on the grounds that generally speaking they do not properly blend the intraterritorial levels, but that the rates are usually higher than rates which reflect the respective intraterritorial levels in proportion to the distance hauled in each territory.

INTERTERRITORIAL FREIGHT RATES

TABLE 103A.—Statement comparing interterritorial key-point first-class rates between Southern and Western Trunk-Line Territories with first-class rates under the Southern and Western Trunk-Line scales for the same distance

[Rates in cents per hundred pounds. Do not include *Ex Parte 123* increases]

And	Between—			
	Atlanta, Ga.	Birmingham, Ala.	Chattanooga, Tenn.	Jacksonville, Fla.
Des Moines, Iowa:				
Distance (miles).....	915	802	778	1,235
Prescribed key rate.....	220	202	196	272
K-2.....	217	205	199	256
Zone I.....	209	195	189	252
Kansas City, Mo.:				
Distance (miles).....	879	714	742	1,130
Prescribed key rate.....	218	200	199	267
K-2.....	214	190	186	244
Zone I.....	205	181	186	239
Omaha, Nebr.:				
Distance (miles).....	1,019	889	882	1,312
Prescribed key rate.....	237	219	218	287
K-2.....	229	214	214	265
Zone II.....	252	233	233	299
Topeka, Kans.:				
Distance (miles).....	930	764	807	1,180
Prescribed key rate.....	229	212	209	278
K-2.....	220	199	205	250
Zone II.....	241	214	221	279
Denver, Colo.:				
Distance (miles).....	1,432	1,266	1,326	1,682
Prescribed key rate.....	331	310	308	378
K-2.....	280	259	268	310
Zone III.....	350	320	333	392
Bismarck, N. Dak.:				
Distance (miles).....	1,497	1,392	1,477	1,817
Prescribed key rate.....	320	302	298	370
K-2.....	286	274	286	325
Zone III.....	358	341	358	414

TABLE 104.—Statement comparing interterritorial key-point first-class rates between Southwestern Territory and points in Eastern and Southern Territories with formula rate and rates under scales applicable in Eastern, Southern, and Southwestern Territories

[Rates in cents per hundred pounds]

	Miles	Key-point rate	Western Trunk-Line formula rate	Relation of key-point rate to formula rate (percent)	Rate under Eastern scale	Relation of key-point rate to Eastern scale (percent)	Rate under zone III scale	Relation of key-point rate to zone III scale (percent)	Rate under Southern K-2 scale	Relation of key-point rate to Southern scale (percent)
Between Little Rock, Ark. (zone III) and—										
Boston, Mass.	1,463	278	285	97.5	213	130.5	354	78.5		
New York, N. Y.	1,323	261	267	97.8	198	131.8	329	79.3		
Pittsburgh, Pa.	893	214	216	99.1	158	138.1	256	83.6		
Cleveland, Ohio	811	203	207	98.1	148	137.2	244	84.2		
Detroit, Mich.	791	202	204	99.0	145	139.3	239	84.5		
Cincinnati, Ohio	601	177	180	98.3	125	141.6	205	86.3		
Chicago, Ill.	606	177	180	98.3	125	141.6	205	86.3		
Jacksonville, Fla.	801	225	229	98.2			244	92.2	205	109.8
Atlanta, Ga.	850	181	182	99.4			192	94.3	166	108.0
Birmingham, Ala.	383	149	150	98.7			156	94.9	142	104.2
Between Lake Charles, La. (zone IID) and—										
Boston, Mass.	1,804	307	348	88.2	248	123.8	414	74.2		
New York, N. Y.	1,541	297	329	90.3	220	135.0	367	80.9		
Pittsburgh, Pa.	1,248	275	278	98.9	190	144.7	316	87.0		
Cleveland, Ohio	1,151	263	270	97.4	183	143.7	303	86.8		
Detroit, Mich.	1,133	263	269	97.8	180	146.1	299	88.0		
Cincinnati, Ohio	940	240	243	98.8	160	150.0	265	90.6		
Chicago, Ill.	948	244	245	99.6	160	152.5	265	92.1		
Jacksonville, Fla.	823	228	229			154.1	244	93.4	205	111.2
Atlanta, Ga.	706	211	213			154.0	226	93.4	190	111.1
Birmingham, Ala.	552	180	182			152.8	192	93.7	166	108.4
Between Oklahoma City, Okla. (zone III) and—										
Boston, Mass.	1,707	314	323	97.2	238	131.9	397	79.1		
New York, N. Y.	1,593	301	308	97.7	225	133.8	375	80.3		
Pittsburgh, Pa.	1,146	252	259	97.3	180	140.0	299	84.3		
Cleveland, Ohio	1,055	240	245	98.0	173	138.7	286	83.9		
Detroit, Mich.	1,006	235	239	98.3	168	139.9	278	84.5		
Cincinnati, Ohio	840	222	229	96.9	155	143.2	256	84.7		
Chicago, Ill.	777	209	211	99.1	143	146.2	236	84.6		
Jacksonville, Fla.	153	288	292	98.6			303	95.0	247	116.6
Atlanta, Ga.	902	247	253	97.6			261	94.6	217	113.8
Birmingham, Ala.	736	220	224	98.2			229	96.1	193	114.0
Between Galveston, Tex. (zone III) and—										
Boston, Mass.	1,945	355	373	95.2	260	136.8	435	81.6		
New York, N. Y.	1,720	340	359	94.7	238	142.9	397	85.6		
Pittsburgh, Pa.	1,376	293	309	94.8	205	142.9	341	85.9		
Cleveland, Ohio	1,293	283	295	95.9	195	145.1	324	87.3		
Detroit, Mich.	1,273	281	292	96.2	193	145.6	320	87.8		
Cincinnati, Ohio	1,083	260	271	95.9	175	148.6	290	89.7		
Chicago, Ill.	1,088	260	271	95.9	175	148.6	290	89.7		
Jacksonville, Fla.	1,002	253	265	95.5			278	91.0	229	110.6
Atlanta, Ga.	885	236	246	95.9			256	92.2	214	110.3
Birmingham, Ala.	731	210	221	95.0			229	91.7	193	108.8
Between Lubbock, Tex. (zone III) and—										
Boston, Mass.	2,046	379	383	99.0	270	140.4	452	83.8		
New York, N. Y.	1,938	367	370	99.2	260	141.2	435	84.4		
Pittsburgh, Pa.	1,499	314	316	99.4	215	146.0	358	87.7		
Cleveland, Ohio	1,395	303	305	99.3	205	147.8	341	88.9		
Detroit, Mich.	1,341	297	299	99.3	200	148.5	333	89.2		
Cincinnati, Ohio	1,246	284	286	99.3	190	149.5	316	89.9		
Chicago, Ill.	1,084	267	269	99.3	175	152.6	290	92.1		
Jacksonville, Fla.	1,347	324	324	100.0			333	97.3	268	120.9
Atlanta, Ga.	1,178	298	300	99.3			307	97.1	250	119.2
Birmingham, Ala.	1,010	270	273	98.9			278	97.1	229	117.9

Footnotes at end of tables

TABLE 104.—Statement comparing interterritorial key-point first-class rates between Southwestern Territory and points in Eastern and Southern Territories with formula rate and rates under scales applicable in Eastern, Southern, and Southwestern Territories—Continued

[Rates in cents per hundred pounds]

	Miles ¹	Key-point rate ²	West-ern Trunk-Line formula rate ³	Rela-tion of key-point rate to formula rate (per-cent)	Rate under East-ern scale ⁴	Rela-tion of key-point rate to Eastern scale (per-cent)	Rate under zone III scale ⁵	Rela-tion of key-point rate to zone III scale (per-cent)	Rate under South-ern K-2 scale ⁶	Rela-tion of key-point rate to South-ern scale (per-cent)
Between San Antonio, Tex. (zone III) and—										
Boston, Mass.	2,036	383	390	98.2	\$ 270	141.9	\$ 452	84.7	-----	-----
New York, N. Y.	1,896	368	372	98.9	\$ 255	144.3	426	86.4	-----	-----
Pittsburgh, Pa.	1,467	318	321	99.1	213	149.3	354	89.8	-----	-----
Cleveland, Ohio.	1,384	308	312	98.7	205	150.2	341	90.3	-----	-----
Detroit, Mich.	1,364	307	309	99.4	203	151.2	337	91.1	-----	-----
Cincinnati, Ohio.	1,174	285	285	100.0	183	155.7	303	94.1	-----	-----
Chicago, Ill.	1,179	283	288	98.3	185	153.0	307	92.2	-----	-----
Jacksonville, Fla.	1,162	290	292	99.3	-----	-----	303	95.7	247	117.4
Atlanta, Ga.	1,034	272	274	99.3	-----	-----	282	96.5	232	117.2
Birmingham, Ala.	868	246	247	99.6	-----	-----	252	97.6	211	116.6

¹ Distances shown are short-line distances computed in accordance with the twenty-first supplemental report in I. C. C. Docket No. 13535. Such distances are the shortest distance in each case except as noted.

² Rates prescribed in twenty-first supplemental report, Docket 13535, *Consolidated Southwestern Cases*, 205 I. C. C. 601 (1934), appendix C.

³ Rates constructed in accordance with the Western Trunk-Line formula and the proviso of finding No. 3 of the twenty-first supplemental report in Docket No. 13535, 205 I. C. C. 601, 658, using the scales of rates as follows: (a) Between points in the Southwest and points in Official Territory the basic scale of rates plus the respective zone differentials shown in the twenty-first supplemental report applied as provided in finding No. 7 therein; (b) between points in Southern Territory and points in the Southwest the zone II scale of rates plus the zone III differentials as shown in said twenty-first supplemental report.

⁴ Eastern appendix E scale, I. C. C. Docket 15879, 164 I. C. C. 314 (1930).

⁵ Zone III scale prescribed in twenty-first supplemental report, I. C. C. Docket 13535, 205 I. C. C. 601 (1934), appendix B.

⁶ Southern K-2 scale, I. C. C. Docket 13494, 113 I. C. C. 200, 207.

⁷ Distance computed over longer route under finding 3 referred to by reference 3, above.

⁸ Scale extended at same rate of progression as used where the scale ended.

NOTE.—Rates not increased under *Ex Parte 123*.

Authority for distances and formula rates used in this table is exhibit No. 63, submitted by the Western Rail Carriers in I. C. C. Docket No. 28300 (September 1942).

C. ANALYSIS OF CLASSIFICATION EXCEPTIONS APPLYING INTERTERRITORIALLY

The general relation of interterritorial class rates to the intraterritorial rates described in the preceding paragraphs is descriptive of the relationships of the rates on a particular article when it is rated the same, in percent of first class, both interterritorially and intraterritorially. If a different rating applies on the article interterritorially than applies intraterritorially, the relationships of the interterritorial and intraterritorial rates for the same distances may be quite different.

The class traffic moving interterritorially is subject to one of the three major classifications—Official, Southern, or Western—and exceptions which are published to apply interterritorially, but the interterritorial traffic is frequently subject to different classification exceptions ratings than those which apply intraterritorially.

In order to determine the extent to which different ratings apply on traffic moving interterritorially than apply intraterritorially, an examination has been made of the applicable ratings on traffic moving between certain of the rate territories and those which apply in the origin or destination territories, or both. The term "applicable rat-

ing" is used, as in the discussion of intraterritorial ratings, to denote the rating which applies on an article whether it is the regular classification rating or an exceptions rating.

TRUNK-LINE TO THE SOUTH

Between Official Territory and Southern Territory the Southern Classification applies, together with such exceptions as are published to apply between the territories. A comparison has been made of the applicable ratings on traffic from Trunk-Line Territory to the South, and the corresponding ratings which apply within the South. Table 105, below, is a summary statement showing the number of ratings applicable from Trunk-Line Territory to the South which are the same as, or different from, the ratings on the same commodity descriptions which are applicable within Southern Territory.

TABLE 105.—Comparison of applicable ratings, classification or exceptions, from Trunk-Line Territory to the South, with ratings applicable in Southern Territory¹

	Carload	Less-carload	Any quantity	Total
Same as in the South.....	9,259	9,348	62	18,669
Higher than in South.....	684	512	10	1,206
Lower than in South.....	520	231	7	758
	10,463	10,089	79	20,630

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions as published in Agent W. S. Curlett's Tariff I. C. C. A-709, and Agent E. H. Dulaney's Tariff I. C. C. 83, in effect on Mar. 17, 1942.

When these ratings are higher than apply within the South, the effect is to make the rates higher in relation to the Southern level than is indicated by a comparison of first-class interterritorial rate and first-class rates applicable within the South. When the interterritorial rating is lower than the applicable rating in the South, the effect is to make the interterritorial rates lower in relation to the Southern level than would be the case if the ratings were the same. It is noticeable that the number of commodity descriptions having higher interterritorial ratings than apply within the South exceeds the number which have lower interterritorial ratings than apply within the South. Over 18,000 commodity descriptions, however, out of a total of over 20,000, have the same rating interterritorially as applies within the South.

If the applicable ratings applying from Trunk-Line Territory to the South are compared with the corresponding ratings applying within Trunk-Line Territory, the results are as shown in table 106.

TABLE 106.—Comparison of applicable ratings, classification or exceptions, from Trunk-Line to the South, with ratings applicable in Trunk-Line Territory¹

	Carload	Less-carload	Any quantity	Total
Same as in Trunk-Line.....	4,026	6,061	40	10,127
Higher than in Trunk-Line.....	4,491	278	8	4,774
Lower than in Trunk-Line.....	1,946	3,749	34	5,729
	10,463	10,089	79	20,630

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions published in Agent W. S. Curlett's Tariffs I. C. C. A-709, and I. C. C. A-741, in effect on Mar. 17, 1942.

Table 106 shows that there are 5,729 commodity descriptions which are treated somewhat more favorably, from a classification standpoint, when shipped to the South than when shipped intraterritorially in Trunk-Line Territory. The more favorable ratings applying interterritorially, however, do not necessarily mean lower mile-for-mile rates on such articles when shipped interterritorially, since the reduction in rating may not offset the higher level of class rates that applies interterritorially. On 4,774 commodity descriptions the interterritorial ratings are higher than apply within Trunk-Line Territory. On these items the difference between the interterritorial level of rates and the level applying within Trunk-Line Territory is greater than if the same ratings applied interterritorially as apply within Trunk-Line Territory.

TRUNK-LINE TO SOUTH COMPARED WITH SOUTH TO TRUNK-LINE

It is interesting to note whether there is any difference in the treatment of north-bound and south-bound traffic between Trunk-Line and Southern Territories, so far as ratings are concerned. Table 107 compares the applicable ratings north-bound and south-bound.

TABLE 107.—Comparison of applicable ratings, classification or exceptions, Trunk-Line to South, and South to Trunk-Line¹

	Carload	Less-carload	Any quantity	Total
Same north-bound as south-bound.....	10,052	10,072	77	20,201
Higher north-bound than south-bound.....	355	15	2	372
Lower north-bound than south-bound.....	56	1	1	57
	10,463	10,088	79	20,630

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and exceptions published in Agent W. S. Curlett's Tariff I. C. C. No. A-709, in effect on Mar. 17, 1942.

The above table shows that on 20,201 out of 20,630 commodity descriptions, or 97.9 percent, the north-bound and south-bound ratings were the same. There were, however, 372 commodity descriptions on which the north-bound ratings, and hence the rates, were higher than south-bound; and 57 commodity descriptions on which the ratings, and hence the rates, were lower from the South to the North than in the opposite direction.

SOUTH TO CENTRAL TERRITORY

Since the same exceptions ratings do not always apply between Central Territory and the South as apply between Trunk-Line Territory and the South an analysis has been made of the applicable ratings from the South to Central Territory, and these ratings have been compared with the ratings on the same commodity descriptions in both Central and Southern Territories.

Table 108 shows the number of ratings which are different from the South to Central Territory than within the South. Out of 20,638 commodity descriptions, 18,339 took the same ratings interterritorially as within the South. There were 1,476 descriptions which took higher ratings from the South to Central Territory than applied within the

South. On these descriptions the interterritorial rates were therefore higher than they would have been if the ratings had been the same as applied within the South. On 823 commodity descriptions the interterritorial ratings were lower than applied within the South. On these articles, therefore, the interterritorial rates were lower than would have prevailed if the ratings had been the same.

TABLE 108.—Comparison of applicable ratings, classification or exceptions, South to Central Territory, with ratings applicable in Southern Territory ¹

	Carload	Less-carload	Any quantity	Total
Same as in the South.....	8,978	9,300	61	18,339
Higher than in South.....	921	639	16	1,476
Lower than in South.....	571	250	2	823
	10,470	10,089	79	20,638

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and exceptions published in Agent B. T. Jones' Tariffs I. C. C. 3635, and Agent E. H. Dulaney's Tariff I. C. C. 86, in effect on Mar. 17, 1942.

Table 109 compares the ratings from the South to Central Territory with those applicable in Central Territory.

TABLE 109.—Comparison of applicable ratings, classification or exceptions, South to Central Territory, with ratings applicable in Central Territory ¹

	Carload	Less car-load	Any quantity	Total
Same as in Central.....	4,027	6,092	39	10,158
Higher than in Central.....	4,417	260	10	4,687
Lower than in Central.....	2,022	3,737	30	5,789
	10,466	10,089	79	20,634

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and exceptions published in Agent B. T. Jones' Tariffs I. C. C. 3635 and I. C. C. 3539, in effect Mar. 17, 1942.

It should be pointed out that although 5,789 commodity descriptions have lower ratings from the South to Central Territory than apply within Central Territory, this does not necessarily mean lower interterritorial rates than apply in Central Territory, although such would be the case if the difference in ratings, in percent of first class, is sufficient to offset the higher level of interterritorial rates. In other cases it means that the interterritorial rates and the Central Territory rates are nearer to a common level than if the same ratings were observed interterritorially and in Central Territory.

SOUTH TO CENTRAL TERRITORY COMPARED WITH CENTRAL TO SOUTH

A comparison of north-bound and south-bound ratings applicable between the South and Central Territory is shown in table 110.

TABLE 110.—*Comparison of applicable ratings, classification or exceptions, Central Territory to South and South to Central Territory*¹

	Carload	Less carload	Any quantity	Total
Same north-bound as south-bound.....	9,999	10,067	69	20,135
Higher north-bound than south-bound.....	355	14	10	379
Lower north-bound than south-bound.....	112	8	-----	120
	10,466	10,089	79	20,634

¹ Based on Consolidated Freight Classification No. 15 effective Mar. 17, 1942, and exceptions published in Agent B. T. Jones' Tariff I. C. C. 3635, in effect Mar. 17, 1942.

This table shows a situation somewhat similar to that prevailing between Trunk-Line and the South, except that the number of ratings which are lower north-bound than south-bound is greater between South and Central Territory than between the South and Trunk-Line Territory.

SOUTH TO CENTRAL TERRITORY AND SOUTH TO TRIANGLE TERRITORY

In the preceding paragraphs the ratings from the South to Central Territory have been mentioned as though the same ratings applied to all points in Central Territory. As a matter of fact the ratings are sometimes different to that portion of Central Territory known as Triangle Territory, or Controlled Territory. This area is in Illinois and Indiana. It is bounded on the east by the line of the Chicago, Indianapolis & Louisville Railway, or Monon, from Louisville to Chicago; on the north by the line of the Illinois Central Railroad from Chicago to Dubuque, Iowa, and on the west by the Mississippi River. The fact that the Monon Railroad is controlled by the Louisville & Nashville Railroad and the Southern Railway, and the Illinois Central has lines extending into the South, causes these lines to be interested in traffic from the South to the portion of Central Territory which they serve. Accordingly they sometimes make more favorable rates in this area than apply from the South to other portions of Central Territory.

Table 111 shows the extent to which the ratings are different from the South to Triangle Territory than from the South to Central Territory generally.

TABLE 111.—*Comparison of applicable ratings, classification or exceptions, South to Triangle, and South to Central Territory*¹

	Carload	Less carload	Any quantity	Total
Same, South to Triangle as South to Central.....	10,304	10,053	77	20,434
Lower, South to Triangle than South to Central.....	160	36	2	198
Higher, South to Triangle than South to Central.....	2	-----	-----	2
	10,466	10,089	79	20,634

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and exceptions published in B. T. Jones' Tariff I. C. C. 3635, in effect Mar. 17, 1942.

It will be noted that there is no difference in the ratings on the great majority of the commodity descriptions found in the classification or exceptions. There are, however, 198 commodity descriptions on which the ratings to Triangle Territory from the South are lower than to the rest of Central Territory, and only two commodity descriptions which are treated less favorably than to the rest of Central Territory.

WESTERN TRUNK-LINE TO TRUNK-LINE

For the purpose of comparing applicable ratings which apply between Western Trunk-Line and Official Territories, those applying to and from Trunk-Line Territory were used. From Western Trunk-Line to Trunk-Line Territory the Official Classification applies, but the exceptions applying interterritorially are different to some extent from those applying in Trunk-Line Territory. Table 112 compares the applicable ratings from Western Trunk-Line Territory to Trunk-Line with those applicable within Trunk-Line Territory.

TABLE 112.—Comparison of applicable ratings, classification or exceptions, from Western Trunk-Line Territory to Trunk-Line Territory with applicable ratings in Trunk-Line Territory¹

	Carload	Less carload	Any quantity	Total
Same as in Trunk-Line.....	8,452	9,505	56	18,073
Higher than in Trunk-Line.....	931	414	19	1,364
Lower than in Trunk-Line.....	1,023	82	4	1,109
	10,406	10,001	79	20,546

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and exceptions published in Agent B. T. Jones' Tariff I. C. C. 2639, and Agent W. S. Curlett's Tariff I. C. C. A-741, in effect on Mar. 17, 1942.

The table shows that 1,364 commodity descriptions took higher ratings interterritorially than apply intraterritorially within Trunk-Line Territory, which means higher rates than if the same ratings had applied interterritorially as apply within Trunk-Line Territory. There were, however, 1,109 ratings which were lower interterritorially than within Trunk-Line Territory. On these articles the interterritorial rates are on a lower basis than if the same ratings applied both interterritorially and intraterritorially.

TRUNK-LINE TO WESTERN TRUNK-LINE

From Trunk-Line Territory to Western Trunk-Line Territory the Western Classification and exceptions apply. Exceptions ratings, however, differ to some extent from those which apply within Western Trunk-Line Territory. Table 113 compares the applicable ratings interterritorially and within Western Trunk-Line Territory. It is noticeable that over 3,500 commodity descriptions have higher ratings interterritorially than apply within Western Trunk-Line Territory, and only 681 have lower ratings than apply within Western Trunk-Line Territory.

TABLE 113.—Comparison of applicable ratings, classification or exceptions, from Trunk-Line Territory to Western Trunk-Line Territory with applicable ratings in Western Trunk-Line Territory ¹

	Carload	Less carload	Any quantity	Total
Same as in Western Trunk-Line.....	7,031	9,192	70	16,293
Higher than in Western Trunk-Line.....	3,030	533	8	3,571
Lower than in Western Trunk-Line.....	327	353	1	681
	10,388	10,078	79	20,545

¹Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and exceptions published in Agent L. E. Kipp's Tariffs I. C. C. A-3382, and I. C. C. A-3333, in effect on Mar. 17, 1942.

TRUNK-LINE TO WESTERN TRUNK-LINE COMPARED WITH WESTERN TRUNK-LINE TO TRUNK-LINE

There are some differences between the applicable ratings on the traffic from Trunk-Line Territory to Western Trunk-Line Territory and those applicable in the reverse direction. Although the east-bound traffic and that west-bound are subject to different classifications and exceptions, it is possible to compare the east-bound and west-bound rate levels, since the first-class rates are the same in both directions and the ratings both east-bound and west-bound can be expressed in terms of a percent of the first-class rates.

Table 114 shows the extent of the differences in ratings east-bound and west-bound. On 12,571 commodity descriptions out of 20,563, the ratings, and hence the rates, are the same in both directions. On 5,937 commodity descriptions the ratings, and hence the rate levels, are higher west-bound than east-bound, which is another way of saying that they are lower from the west to the east than from the east to the west. On the other hand, there are 2,055 commodity descriptions which have lower ratings and rates from Trunk-Line to Western Trunk-Line than apply from Western Trunk-Line to Trunk-Line.

TABLE 114.—Comparison of applicable ratings, classification or exceptions, Trunk-Line Territory to Western Trunk-Line Territory, and Western Trunk-Line Territory to Trunk-Line Territory ¹

	Carload	Less carload	Any quantity	Total
Same, Trunk-Line to Western Trunk-Line as Western Trunk-Line to Trunk-Line.....	4,300	8,203	68	12,571
Higher, Trunk-Line to Western Trunk-Line than Western Trunk-Line to Trunk-Line.....	4,690	1,236	11	5,937
Lower, Trunk-Line to Western Trunk-Line than Western Trunk-Line to Trunk-Line.....	1,416	639	-----	2,055
	10,406	10,078	79	20,563

¹Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions as published in Agent L. E. Kipp's Tariff I.-C. C. No. A-3382, and Agent B. T. Jones' Tariff I. C. C. No. 3639, in effect Mar. 17, 1942.

SOUTHWESTERN TERRITORY TO OFFICIAL

Between Official and Southwestern territories the Western Classification applies. Differences in classification exceptions applying inter-territorially and those applying intraterritorially in the Southwest exist however.

Table 115 shows that from the Southwest to Official Territory there are 5,897 commodity descriptions taking higher ratings than apply within the Southwest and 405 which are lower than apply within the Southwest.

TABLE 115.—Comparison of applicable ratings, classification or exceptions, from the Southwest to Official Territory with applicable ratings in Southwestern Territory¹

	Carload	Less carload	Any quantity	Total
Same as Southwestern.....	8,049	9,047	67	14,163
Higher than Southwestern.....	4,975	917	5	5,897
Lower than Southwestern.....	334	64	7	405
	10,358	10,048	79	20,485

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions published in Agent J. R. Peel's Tariffs I. C. C. Nos. 3360 and 3475, in effect on Mar. 17, 1942.

OFFICIAL TERRITORY TO THE SOUTHWEST

From Official Territory to the Southwest 5,635 commodity descriptions take higher ratings than apply within the Southwest and 425 take lower ratings. These figures are shown in table 116.

TABLE 116.—Comparison of applicable ratings, classification or exceptions, from Official Territory to the Southwest with applicable ratings in the Southwest¹

	Carload	Less carload	Any quantity	Total
Same as Southwestern.....	5,127	9,242	56	14,425
Higher than Southwestern.....	5,022	596	17	5,635
Lower than Southwestern.....	209	210	6	425
	10,358	10,048	79	20,485

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions published in Agent J. R. Peel's Tariffs I. C. C. Nos. 3360 and 3475, in effect on Mar. 17, 1942.

SOUTHWEST TO OFFICIAL COMPARED WITH OFFICIAL TO SOUTHWEST

The great majority of the applicable ratings from the Southwest to Official Territory are the same as in the reverse direction. There are 600 commodity descriptions that take higher ratings and therefore higher rates, from the Southwest to Official Territory than in the reverse direction. There are only 38 commodity descriptions that have lower ratings and hence lower rates from the Southwest to Official Territory than apply in the opposite direction. The figures are shown in table 117.

TABLE 117.—Comparison of applicable ratings, classification or exceptions, Southwest to Official Territory and Official Territory to the Southwest¹

	Carload	Less carload	Any quantity	Total
Same, Southwest to Official as Official to Southwest....	10,217	9,571	59	19,847
Higher, Southwest to Official than Official to Southwest.....	132	464	4	600
Lower, Southwest to Official than Official to Southwest.....	9	13	16	38
	10,358	10,048	79	20,485

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions published in Agent J. R. Peel's Tariffs I. C. C. Nos. 3360 and 3475, in effect Mar. 17, 1942.

SOUTH TO SOUTHWEST

On traffic between Southern and Southwestern Territories the Western Classification applies. The exceptions ratings applying interterritorially differ to some extent from those applying within the Southwest. Table 118 compares the applicable ratings, classification, or exceptions, which apply from the South to Southwestern Territory with the applicable ratings within the Southwest.

TABLE 118.—Comparison of applicable ratings, classification or exceptions, from the South to the Southwest with applicable ratings in Southwestern Territory ¹

	Carload	Less-carload	Any quantity	Total
Same as in Southwestern.....	5,709	9,493	70	15,272
Higher than in Southwestern.....	4,080	342	3	4,425
Lower than in Southwestern.....	571	211	6	788
	10,360	10,046	79	20,485

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions published in Agent J. R. Peel's Tariff I. C. C. No. 3475, in effect on Mar. 17, 1942.

It will be noted that more than a fifth of the commodity descriptions take higher ratings from the South to the Southwest than apply within the Southwest but that 788 commodity descriptions take lower ratings interterritorially than apply within the Southwest.

SOUTHWEST TO SOUTH

Table 119 compares the applicable ratings from the Southwest to the South with those applicable within the Southwest.

TABLE 119.—Comparison of applicable ratings, classification or exceptions, from the Southwest to the South with applicable ratings in Southwestern Territory ¹

	Carload	Less-carload	Any quantity	Total
Same as in Southwestern.....	5,693	9,426	68	15,187
Higher than in Southwestern.....	4,093	549	5	4,647
Lower than in Southwestern.....	574	71	6	651
	10,360	10,046	79	20,485

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions published in Agent J. R. Peel's Tariff I. C. C. No. 3475, in effect on Mar. 17, 1942.

Table 119 shows that 4,647 commodity descriptions take higher ratings from the Southwest to the South than apply within the Southwest, although there are 651 commodity descriptions which have lower ratings interterritorially than apply within the Southwest.

SOUTHWEST TO SOUTH COMPARED WITH SOUTH TO SOUTHWEST

Only 387 commodity descriptions out of 20,485 take ratings from the Southwest to the South which are different from those applying in the reverse direction. Of these, 379 have higher ratings from the Southwest to the South than apply from the South to the Southwest. Only 8 have lower ratings from the Southwest to the South than apply in the opposite direction. The figures are shown in table 120.

TABLE 120.—Comparison of applicable ratings, classification or exceptions, Southwest to South with South to Southwest¹

	Carload	Less-carload	Any quantity	Total
Same, Southwest to South as South to Southwest.....	10,325	9,605	78	20,008
Higher, Southwest to South than South to Southwest..	27	351	1	379
Lower, Southwest to South than South to Southwest....	8	-----	-----	8
	10,360	10,046	79	20,485

¹ Based on Consolidated Freight Classification No. 15, effective Mar. 17, 1942, and generally applicable exceptions published in Agent J. R. Peel's Tariff I. C. C. No. 3475, in effect on Mar. 17, 1942.

CONCLUSION

The usual relationships between interterritorial and intraterritorial rates on an article are disturbed when the classification or exceptions ratings applying interterritorially are different from those which apply intraterritorially in the origin or destination territories. Such differences in ratings may make the differences in intraterritorial and interterritorial levels on a particular article greater than if the same rating applied both interterritorially and intraterritorially. Sometimes, on the other hand, the effect of the differences in applicable ratings is to bring the rate levels more nearly together or even to reverse the normal relationship between interterritorial and intraterritorial rates.

If the interterritorial ratings are higher than the intraterritorial ratings in the territory of the governing classification, the effect is to make the interterritorial rates higher than if the ratings had been the same. Conversely, if the interterritorial ratings are lower than apply intraterritorially in the territory of the governing classification, the effect is to reduce the interterritorial rates below what they would be if the interterritorial and intraterritorial ratings had been the same. On the preponderance of commodity descriptions, however, the applicable ratings applying interterritorially are the same as apply intraterritorially in the territory of the governing classification. Of the interterritorial ratings which differ from those applying intraterritorially in the territory of the governing classification, there are more that are higher than there are that are lower than the intraterritorial rating.

Generally speaking, the same ratings, in percent of first class, apply interterritorially in both directions, and hence the rates are the same in both directions. There are numerous instances, however, in which the applicable ratings are not the same, and this makes the rates on such articles higher in one direction than in the other between the same points. The number of instances in which this occurs, however, is small relative to the number of commodity descriptions on which the rates are the same in both directions. Between Trunk-Line and Western Trunk-Line Territories, however, nearly 40 percent of the commodity descriptions take different rates in one direction than in the other.

CHAPTER VII

INTERTERRITORIAL COMMODITY RATES

Interterritorial commodity rates are constructed in many different ways. The patterns of these rates are sometimes entirely different from those of interterritorial class rates.

In the following pages the interterritorial rates on a limited number of commodities which move in whole or in part on commodity rates are examined. The general structure and basis of the interterritorial rates on these commodities is described. Comparison of the interterritorial levels with the levels of rates on the same commodities in the origin and destination territories is made where some general relationship exists. When interterritorial rates are constructed on a blended basis, however, the relationship of the interterritorial rates to the intraterritorial levels depends to a great extent upon the proportion of the haul in each territory. In such instances an average relationship of the interterritorial rates to the intraterritorial levels has little meaning. The commodities on which the interterritorial rate structures have been examined are the ones on which the intraterritorial structures and levels were compared in chapter IV, except that logs are not included owing to the fact that the interterritorial movement is relatively unimportant.

A. BRICK AND OTHER CLAY PRODUCTS

OFFICIAL—SOUTHERN

Prior to the decision of the Interstate Commerce Commission in *West Virginia Brick Co. v. Chesapeake & Ohio Railway Co.*, 186 I. C. C. 485 (1932), interterritorial rates on brick between the South and Central Territory were combinations on the Ohio River crossings. In the latter proceeding, however, a distance scale was prescribed for application from certain points in Ohio, Kentucky, and West Virginia to certain points in Virginia, West Virginia, and Kentucky. This scale was slightly lower than the average of the Central and Trunk-Line scales. Little, if any, consideration was given to the still lower rates applying on brick in Southern Territory. In a later case, *Brick from Illinois Territory to the South*, 235 I. C. C. 94 (1939), the West Virginia scale, plus 20 cents per ton for distance up to 625 miles, was approved from Illinois Territory to the South. Beyond 625 miles the rates progressed up to 1,510 miles in accordance with the progression of the Southern scale. To this scale was also added the general ten percent increase authorized in *Ex Parte 123*. Substantially the same scale was also approved from Central Territory to the South in *Brick from Central Territory to the South*, 235 I. C. C. 181 (1939). These rates are considerably higher than those prescribed for application within Southern Territory, and higher than the scale applicable in Central Territory.

WESTERN TRUNK-LINE AND SOUTHWESTERN—SOUTHERN

From Missouri to Southern Territory brick rates were approved by the Commission in *Brick from Missouri to Southern Territory*, 234 I. C. C. 517 (1939). These rates were somewhat higher than the Southern scale and slightly higher than the Southwestern and Western Trunk-Line scales. Rates from certain Arkansas points to points in Alabama, Florida, Georgia, Kentucky, and Tennessee, except points on the Mississippi River, are on a basis somewhat higher than the Southwestern scales, and higher than the Southern scales. *Acme Brick Co. v. Alabama & Vicksburg Railway Co.*, 128 I. C. C. 715 (1927).

SUMMARY

It will be noted that the interterritorial rates on brick in each of the situations described above are higher than the rates applicable in both origin and destination territories.

B. CEMENT

Due to the fact that cement mills are scattered over the country and are found in all rate territories, the interterritorial movements and rate structures have not assumed a great deal of importance.

From Central and Trunk-Line Territories to the South, cement rates are based on the Southern scale, which is approximately 117 percent of the Central Territory scale and slightly higher than the Trunk-Line scale. See *Southern Cement Rates*, 132 I. C. C. 427 (1927). These rates, therefore, do not reflect the lower basis applying within Central and Trunk-Line Territories.

From Southern producing points in Tennessee, Alabama, Georgia, and Kentucky to Southwestern points in Arkansas and Louisiana, rates were prescribed in *Iola Cement Mills Traffic Asso. v. Alabama & Vicksburg Ry. Co.*, 144 I. C. C. 585, 599, 600 (1928), on the basis of the Western Scale III. The destinations referred to are in Scale III Territory. This basis, as noted elsewhere,¹ is higher than the basis applicable within Southern Territory.

The two interterritorial rate structures mentioned above illustrate the use of the destination-level basis, i. e., the construction of interterritorial rates on the basis of the level prevailing in the destination territory.

C. COKE

OFFICIAL—SOUTHERN

A scale of rates on coke from the Birmingham district, and from Chattanooga, Tenn., and Wise County, Va., to destinations in Central and Illinois territories was prescribed in *Coke from Alabama and Tennessee to Central Territory*, 215 I. C. C. 384 (1936). This scale is the same as the Central Territory scale for distances from 160 miles to 800 miles. In this case, therefore, the Commission prescribed the same scale interterritorially from the South to Central Territory as it had prescribed within Central Territory. To points in zone C a higher basis applies—the same basis which was prescribed for application from Central Territory to zone C.²

¹ See p. 172 supra.

² See p. 172 supra.

OFFICIAL—WESTERN

In *Coke between Points in Central and Illinois Territories*, 194 I. C. C. 640 (1933), a scale was prescribed from points in Central and Illinois Territories to points in zone I of Western Trunk-Line Territory. This scale is the one which was prescribed from the same origins to points in zone C in Michigan and extended zone C in Wisconsin. It is, however, between 9 and 10 percent higher than the Central Territory scale. To destinations beyond zone I in Western Trunk-Line Territory arbitraries were to be added for the distances beyond zone I.

SUMMARY

Coke is one of the commodities on which the Commission has prescribed the Central Territory basis for application from the South to Central Territory. It should be noted in this connection, however, that the Southern basis, intraterritorially, was substantially on the same level as the rates in Central Territory. Rates from Central and Illinois territories to zone I of Western Trunk-Line Territory are higher and are on the same basis as rates to zone C in Michigan and extended zone C in Wisconsin.

D. COTTON TEXTILES

On cotton textiles the interterritorial rates are of great importance. This arises from the fact that manufacturing of textiles takes place in New England, in the South, and in the Southwest, but the principal markets are in Official Territory. All producing areas seek rates which will enable them to sell in that area.

The manufacturing of textiles in this country was first developed in New England. Starting in the eighties, however, mills began to be established in the South. The Southern industry has grown rapidly, and production of cotton piece goods in the South is roughly three times as great as in the North. Mills have also been established in Oklahoma, Arkansas, and Texas.

OFFICIAL—SOUTHERN

For many years prior to 1915 the efforts of Southern and New England mills to get their products into Central Territory had brought about an equalization of the rates on cotton textiles from Boston and Atlanta to Chicago. This parity in rates was upset between 1915 and 1930 by the numerous general increases in rates and the 10 percent reduction of 1922. Restoration of substantial equality in these rates occurred in 1930. This equalization, however, does not give the Southern mills generally a mile-for-mile equality with the New England producers.

In *Cotton, Woolen, and Knitting Factory Products*, 211 I. C. C. 692 (1935), 220 I. C. C. 189 (1937), 220 I. C. C. 745 (1937), the Commission prescribed rates on dry goods from the South to Official Territory on the basis of 78 percent of the first-class rates. On finished cotton piece goods the basis prescribed was 50 percent of the first-class rates and on unfinished goods 45 percent of first class. These percentages were to be applied to the K-2—Q-1 first-class rates. The Commission considered that these rates were about

10 percent higher than the Official Territory levels. The carriers chose to publish their rates as percentages of the going first-class rates rather than of the K-2—Q-1 first-class rates. Since the keypoint rates between the South and points in New England and Trunk-Line Territories are lower than would result from K-2—Q-1 scales, the resulting rates are about 5 percent lower than the prescribed maximum levels. This action on the part of the Southern carriers explains why the northern carriers published rates on finished cotton piece goods in Trunk-Line and New England Territories on the basis of 60 percent of the first-class rates instead of on the basis of 63 percent which the Commission prescribed as a maximum reasonable basis.

On grey goods and yarn the carriers have published carload rates from Southern manufacturing points to Eastern finishing plants equivalent to 37.5 percent of first class, minimum 30,000 pounds. Thus the interterritorial rates from the South to the North on grey goods are materially lower than the general basis applying within Eastern Territory. In addition to the low carload rates on grey goods and yarn which have been established from the South to the North, carload rates have also been published on certain other cotton goods from specific producing points in the South to specific destinations in the North. Tire fabric and shade cloth fabric have been thus treated. The resulting rates are as low or lower than the basis applying within the North.

Equalization of the rates to Chicago from Boston and Atlanta continues, as well as from Southwestern points, and this equalization has resulted in the establishment of a huge origin blanket extending from San Antonio, Tex., across Texas and Louisiana, through Mississippi, Alabama, and Georgia, through the Carolinas and up the Atlantic seaboard through New York and Boston to Lewiston, Maine. From every point within this blanket area the rate to Chicago on finished cotton piece goods is 106 cents. From points in the South taking the 106-cent rate the rates would average approximately 5 percent higher than the northern level. From the Southwest, however, the 106-cent rate represents a lower level than applies within Eastern Territory.

SOUTHWESTERN—OFFICIAL

In *Cotton, Woolen, and Knitting Factory Products, supra*, the Commission prescribed maximum reasonable rates on finished cotton goods from the Southwest to Official Territory, and to Southern Territory, on the basis of 50 percent of the first-class rates prescribed in the *Consolidated Southwestern Cases*. On unfinished goods the rates were made 90 percent of finished goods rate, or 45 percent of first class. On dry goods the rates were prescribed on the basis of 78 percent of first class. The Commission held, however, that equalization of the rates from the Southwest to Chicago and other points in the western part of Central Territory with those from Boston and Atlanta was not unlawful. Such equalization exists as noted above, and gives the Southwestern producers a mile-for-mile advantage over those in the South and New England.

OFFICIAL—WESTERN TRUNK-LINE

In *Cotton, Woolen, and Knitting Factory Products, supra*, the Commission prescribed rates on finished cotton piece goods from

Official to Western Trunk-Line Territory on the basis of 63 percent of the first-class rates, and on unfinished goods 57 percent of first class. These are the same percentages of first class as had been prescribed for intraterritorial application in both Official and Western Trunk-Line Territories. The interterritorial rates, therefore, represent a blending of the Western Trunk-Line and Official Territory levels.

SOUTHERN—WESTERN TRUNK-LINE

At the time of the Commission's decision in the *Cotton Textiles case* there were no through class rates in effect from Southern Territory to Western Trunk-Line Territory. Interterritorial rates on cotton piece goods were prescribed on the basis of the rates to the Mississippi River crossings or other gateways plus arbitraries for the distances in Western Trunk-Line Territory. Rates are now published on the basis of 50 percent of the first-class rates on finished goods, and 45 percent on unfinished goods, which is the basis which was prescribed from Southern Territory to Official Territory.

SOUTHWESTERN—WESTERN TRUNK-LINE

From Southwestern Territory to Western Trunk-Line Territory rates were prescribed in the *Cotton Textiles case* on the basis of 58 percent of first class on finished cotton piece goods. On unfinished cotton piece goods rates were prescribed on the basis of 90 percent of the finished-goods rates. This basis is a somewhat lower percent of first class than was prescribed for application within Southwestern or Western Trunk-Line Territories. Rates have been published, however, on the basis of 50 percent of the first-class rates on finished goods, and 45 percent on unfinished goods which is on the same basis as from the South to Western Trunk-Line and Official Territories.

SUMMARY

Interterritorial rates on cotton textiles reflect the keen competition between different producing sections to get into northern markets. Equal rates from competing producing points, rather than mile-for-mile equality, characterize the adjustment from the principal producing points to Chicago. Most of the interterritorial rates are fixed percentages of the interterritorial first-class rates and represent a blending of the interterritorial levels.

E. COTTONSEED OIL

In *Cottonseed, Its Products and Related Articles*, 188 I. C. C. 605 (1932), the bases of maximum reasonable interterritorial rates were prescribed. Between Official and Southern Territories the basis prescribed was 25 percent of first-class rates; between Official and Western Trunk-Line Territories³ the basis prescribed was 27.5 percent of first class.

From Official Territory to Southwestern Territory the basis prescribed was 25 percent of first class; and in the reverse direction 23 percent of first class. From Western Trunk-Line to Southwestern Territories the 25 percent basis applied, with the 23 percent basis

³ Zones I, II, and III. Zone IV is included in the Mountain-Pacific Region.

applying in the reverse direction. The same situation exists between Southern and Southwestern Territories; namely, 25 percent of first class from the South to the Southwest, and 23 percent from the Southwest to the South.

The situation was handled somewhat differently between Southern and Western Trunk-Line Territories. Instead of making these rates a percent of the applicable first-class rates the Commission made them 25 percent of a basic scale, varying percentages of which apply on various cottonseed products between the two territories.

The regular basis between Southwestern and Official Territories was modified somewhat on traffic from various producing points near Memphis, Tenn., but west of the Mississippi River, to points in Official Territory. To the western part of Official Territory these rates were made differentially higher than from Memphis; to other points in Official Territory they were made the same as the rates from Memphis.

Rates to and from Mountain-Pacific Territory were not placed on the basis of a percent of first class. From various points in Southwestern and Western Trunk-Line Territories to specified points in Mountain-Pacific Territory rates and relationships were specifically prescribed. Thus from points in Oklahoma to points in southern California a rate of 80 cents was prescribed. To points in northern California and to points in Oregon and Washington, a rate of 90 cents was prescribed. From Arkansas points the rates prescribed to southern California points were 90 cents, and to northern California, and Oregon and Washington, \$1. Rates from other origins to the Pacific coast were similarly prescribed.

SUMMARY

With the exception of the rates to and from Mountain-Pacific Territory the interterritorial rates on cottonseed oil are made definite percentages of the first-class rates, or, in the case of rates between Southern and Western Trunk-Line Territories, a percent of a specially prescribed "basic scale". Between some territories the same basis applies in both directions, but from Southwestern Territory to Official, Western, and Southern Territories a lower basis applies than in the reverse direction. Although the percentages of first class applying interterritorially are in some instances slightly different than the percentages of first class applying intraterritorially in the origin or destination territories the interterritorial rates reflect to some extent the intraterritorial levels in both origin and destination territories. As shown in table 77, page 103, the lowest intraterritorial level is in Eastern Territory, with somewhat higher levels in Southern, Southwestern, and Western Trunk-Line Territories.

F. FERTILIZER AND FERTILIZER MATERIALS

OFFICIAL—SOUTHERN

While fertilizer and fertilizer materials move interterritorially between Official and Southern Territories, the movement of fertilizer materials predominates, and the principal movement is south-bound. Prior to January 20, 1938, the interterritorial rates on fertilizer and fertilizer materials, in carloads, between Official and Southern Terri-

teritories were generally constructed on the basis of a formula prescribed in *Fertilizer and Fertilizer Materials*, 151 I. C. C. 613 (1929). Under this formula the Southern scale was used for interterritorial hauls of 170 miles and less. For longer hauls the Central Territory scale, extended for distances beyond 800 miles, was used, plus differentials for that portion of the haul south of the Ohio River. These differentials varied with the length of the haul in Southern Territory.

On January 20, 1938, following the Commission's decision in *General Commodity Rate Increases, 1937*, 223 I. C. C. 657, the interterritorial rates between Official and Southern Territories were placed on the Southern prescribed scale. These rates were not increased under *Ex Parte 123*. The carriers later proposed to increase these rates 10 percent, but in *Fertilizer between Official and Southern Territories*, 232 I. C. C. 301 (1939), the Commission refused to allow this to be done, but authorized the publication of rates not in excess of 10 percent over those in effect prior to January 20, 1938, that is, 10 percent over the rates constructed on the earlier formula. The carriers did not publish the rates authorized, and the rates remain on the basis of the prescribed Southern scale without *Ex Parte 123* increases. The interterritorial rates are on the level maintained in Southern Territory for distances over 380 miles. For distances of 380 miles or less, however, they are higher than the Southern level, because for those distances the rates within the South have been made on a reduced basis by the carriers due to truck competition.

In addition to the normal or prescribed adjustments previously discussed there are several depressed carload rates in effect that were established by the carriers for the purpose of meeting water competition. These adjustments, such as the rates on sewage sludge from Milwaukee, Wis., to South Atlantic ports, were published after fourth-section relief was secured, thus permitting the publication of such rates without a general disturbance of the normal level. See *Sewage Sludge to Southern Ports*, 195 I. C. C. 311 (1933), and *Sewage Sludge and Tankage from Wisconsin*, 218 I. C. C. 184 (1936).

SOUTHWESTERN—OFFICIAL AND SOUTHWESTERN—SOUTHERN

The present carload rates on fertilizer and fertilizer materials between Southwestern Territory, on the one hand, and Official and Southern Territories, on the other, are made the same relation to first class as in Southwestern Territory, that is, 16 percent and 17.5 percent of the first-class rates prescribed in the original decision in the *Consolidated Southwestern Cases*. This basis results in interterritorial rates higher than the Official and Southern levels.

Commodity rates on potash have been established from Carlsbad and Loving, N. Mex., to points in Southern and Official Territories which are designed to place the New Mexico producing points on a competitive basis with imported materials moving from Gulf and Atlantic ports.

TRANSCONTINENTAL

The most important movement of this traffic from transcontinental origins to Official and Southern Territories consists of muriate of potash and other potash materials, such as the movement from Trona, Calif., and Wendover, Utah. The transcontinental rates on this

traffic were designed to place the far western producing points on a competitive basis with foreign producers shipping similar materials through Gulf and Atlantic ports.

SUMMARY

Between Official and Southern Territories fertilizer rates are on the basis of the Southern scale for distances over 380 miles, which is lower than the Official Territory level. Between Southwestern Territory and Official and Southern Territories the rates bear the same percentage relationship to first class as those within the Southwest. From the Southwest and the far west rates on fertilizer materials show the effects of market competition.

G. FRESH MEATS AND PACKING-HOUSE PRODUCTS

OFFICIAL—SOUTHERN

Between the South and Official Territory the bases for the rates on both fresh meats and packing-house products were fixed in *Fresh Meats and Packing-House Products to, from, and between Points in Southern Territory*, 191 I. C. C. 257 (1933). From the South the rates prescribed on fresh meats were 45 percent of first class. To New England and Trunk-Line Territories the percent is applied to constructive first-class rates made on the K-2—Q-1 basis, instead of to the actual first-class key-point rates. From Official Territory points to the South the prescribed basis is 47.5 percent of first class, applied in the same manner as the north-bound percentages.

On packing-house products the north-bound basis prescribed was 31.5 percent of first class, and south-bound, 35 percent of first class, both applied to the K-2—Q-1 first-class rates.

WESTERN TRUNK-LINE—OFFICIAL AND SOUTHWESTERN—OFFICIAL

From points west of the Mississippi River the rates on fresh meats, in carloads, to points in Trunk-Line and New England Territories are combinations on the Mississippi River. In the second *Morrell case*, 120 I. C. C. 537 (1927), it was held that the lowest combinations, composed of existing proportional⁴ rates west of the Mississippi River, and local rates therein approved east of the river, would not be unreasonable.

To points in Central Territory, including Buffalo, Pittsburgh, and related points, the rates are also combinations on the Mississippi River crossings or Chicago. The western factors of the combination rates are proportional rates from western shipping points which reflect competitive adjustments. From various producing points, in Iowa, Minnesota, and from Missouri River cities the proportional rates were before the Commission in *Fresh Meats from Iowa and Minnesota to the East*, 227 I. C. C. 765 (1938).

From producing points in Kansas, Colorado, and the Southwest, there are proportional rates to the Mississippi River which are related

⁴ Proportional rates are rates which are different from the local rates between the same points and which apply only on traffic coming from or destined to points beyond.

to those from the Missouri River cities. These were before the Commission in *Investigation of Alleged Unreasonable Rates on Meats*, 22 I. C. C. 160 (1911); *Allied Packers v. Abilene & Southern Ry. Co.*, 160 I. C. C. 596 (1929); *Meats from Colorado, Nebraska and Wyoming to Western Trunk-Line Points*, 238 I. C. C. 605 (1940). The eastern factors are rates voluntarily established by the carriers.

Combination rates on fresh meats from several producing points in Western Trunk-Line and Southwestern Territories to a number of Official Territory points are shown in table 120A. Most of the rates shown are somewhat higher than would result from applying the Official Territory average level for the whole distance, but in a few instances they are slightly lower.

On packing-house products the general basis applicable for carload movements from Western Trunk-Line points to Official Territory is class 37.5-L under the Official Classification.⁵ From Southwestern producing points the basis is fifth class, or 37.5 percent of first class, under the Western Classification. From both territories, however, combinations on the Mississippi River apply, if lower. The interterritorial rates represent a blending of the Official Territory and the higher Western Trunk-Line and Southwestern Territory levels.

TABLE 120A.—Comparison of carload commodity rates on fresh meats from Western Trunk-Line and Southwestern Territories to Official Territory with Official Territory commodity-rate level

[Rates in cents per 100 pounds]

To—	Short-line distance (miles)	Present rate	Official Territory basis ¹	Percent of Official Territory level	Short-line distance (miles)	Present rate	Official Territory basis ¹	Percent of Official Territory level
	From—							
	St. Paul, Minn. ²				Cedar Rapids, Ia.			
Boston, Mass.	1,267	112	106	105.7	1,191	98	102	96.1
New York, N. Y.	1,194	112	102	103.8	1,106	98	98	100.0
Albany, N. Y.	1,080	109	97	112.4	1,008	95	93	102.2
Syracuse, N. Y.	936	95	88	103.0	863	82	84	97.6
Philadelphia, Pa.	1,196	110	102	107.8	1,030	96	94	102.1
Scranton, Pa.	1,050	110	94	117.0	974	96	90	106.7
Johnstown, Pa.	927	89	88	101.1	748	77	78	98.7
Baltimore, Md.	1,161	109	101	107.9	983	95	91	104.4
Cumberland, Md.	991	95	91	104.4	812	82	82	100.0
Richmond, Va.	1,226	109	105	103.8	1,031	95	94	101.1
Buffalo, N. Y.	793	83	80	103.8	716	71	76	93.4
Pittsburgh, Pa.	849	83	83	100.0	671	71	73	97.3
Huntington, W. Va.	814	83	82	101.2	620	71	69	102.9
Cleveland, Ohio.	721	75	77	97.4	549	63	65	96.9
Columbus, Ohio.	695	75	75	100.0	511	62	62	100.0
Cincinnati, Ohio.	683	69	75	92.0	470	56	60	93.3
Detroit, Mich.	601	69	69	100.0	486	57	61	93.4
Grand Rapids, Mich.	448	69	59	116.9	397	57	52	109.6
Fort Wayne, Ind.	549	62	65	95.4	366	50	53	94.3
Indianapolis, Ind.	582	62	68	91.2	360	49	52	94.2

Footnotes at end of table.

¹ Class 37.5-L is a class 35 in effect March 27, 1938, i. e., prior to *Ex Parte 123* increases, increased 5 percent observing class 37.5 in effect on that date as a minimum.

TABLE 120A.—Comparison of carload commodity rates on fresh meats from Western Trunk-Line and Southwestern Territories to Official Territory with Official Territory commodity-rate level—Continued

[Rates in cents per 100 pounds]

To—	Short-line distance (miles)	Present rate	Official Territory basis ¹	Percent of Official Territory level	Short-line distance (miles)	Present rate	Official Territory basis ¹	Percent of Official Territory level
	From—							
	Mason City, Ia.				Des Moines, Ia.			
Boston, Mass.....	1,246	107	105	101.9	1,301	107	109	99.2
New York, N. Y.....	1,176	107	102	104.9	1,215	107	104	102.9
Albany, N. Y.....	1,043	104	95	109.5	1,117	104	98	108.1
Syracuse, N. Y.....	918	91	87	104.6	973	91	90	101.1
Philadelphia, Pa.....	1,139	105	99	106.1	1,139	105	99	106.1
Scranton, Pa.....	1,039	105	94	111.7	1,083	105	97	108.2
Johnstown, Pa.....	857	86	84	102.4	857	86	84	102.4
Baltimore, Md.....	1,092	104	97	107.2	1,092	104	97	107.2
Cumberland, Md.....	921	91	87	104.6	923	91	87	104.6
Richmond, Va.....	1,148	104	99	105.1	1,130	104	94	110.6
Buffalo, N. Y.....	778	80	79	101.3	826	80	83	96.4
Pittsburgh, Pa.....	779	80	79	101.3	779	80	79	101.3
Huntington, W. Va.....	736	80	77	103.9	713	80	76	105.3
Cleveland, Ohio.....	657	72	72	100.0	657	72	72	100.0
Columbus, Ohio.....	619	71	69	102.9	618	71	69	102.9
Cincinnati, Ohio.....	593	62	63	91.2	560	62	65	94.4
Detroit, Mich.....	584	66	66	100.0	595	66	68	97.1
Grand Rapids, Mich.....	412	66	58	117.9	477	66	60	110.0
Fort Wayne, Ind.....	473	59	60	98.3	473	59	60	98.3
Indianapolis, Ind.....	483	55	61	90.2	451	55	59	93.2

To—	From—							
	Sioux City, Iowa				Omaha, Nebr.			
	Boston, Mass.....	1,439	121	116	104.3	1,445	121	116	104.3
New York, N. Y.....	1,368	121	112	108.0	1,355	121	112	108.0
Albany, N. Y.....	1,256	118	106	111.9	1,261	118	106	111.2
Syracuse, N. Y.....	1,111	104	98	106.1	1,117	104	98	106.1
Philadelphia, Pa.....	1,312	119	108	110.2	1,278	119	108	110.2
Scranton, Pa.....	1,224	119	104	114.4	1,223	119	104	114.4
Johnstown, Pa.....	1,030	100	94	106.4	1,000	98	91	107.7
Baltimore, Md.....	1,265	118	106	111.3	1,225	118	104	113.5
Cumberland, Md.....	1,094	104	97	107.2	1,094	104	95	109.5
Richmond, Va.....	1,312	118	109	108.3	1,258	118	112	105.4
Buffalo, N. Y.....	968	92	90	102.2	970	92	90	102.2
Pittsburgh, Pa.....	952	92	90	102.2	922	92	87	105.7
Huntington, W. Va.....	899	92	86	107.0	842	92	83	110.8
Cleveland, Ohio.....	830	84	83	101.2	800	84	80	105.0
Columbus, Ohio.....	793	84	80	105.0	747	84	78	107.7
Cincinnati, Ohio.....	745	70½	78	90.4	690	70½	75	94.0
Detroit, Mich.....	757	78	78	100.0	739	78	77	101.3
Grand Rapids, Mich.....	605	78	69	113.0	614	78	69	113.0
Fort Wayne, Ind.....	646	70½	72	97.9	614	70½	69	102.2
Indianapolis, Ind.....	636	63½	71	89.4	579	63½	65	96.2

To—	From—							
	Kansas City, Mo.				Wichita, Kans.			
	Boston, Mass.....	1,398	121	113	107.1	1,598	130	124	104.8
New York, N. Y.....	1,299	121	108	112.0	1,488	130	119	109.2
Albany, N. Y.....	1,215	118	104	113.5	1,415	127	115	110.4
Syracuse, N. Y.....	1,070	104	95	109.5	1,270	114	106	107.5
Philadelphia, Pa.....	1,208	119	104	114.4	1,408	128	115	111.2
Scranton, Pa.....	1,169	119	101	117.8	1,369	128	112	114.3
Johnstown, Pa.....	930	98	88	111.4	1,130	107	99	108.1
Baltimore, Md.....	1,139	118	99	119.2	1,339	127	110	115.5
Cumberland, Md.....	977	104	91	114.3	1,178	114	102	111.8
Richmond, Va.....	1,168	118	101	116.8	1,362	127	112	113.4
Buffalo, N. Y.....	924	92	87	105.7	1,124	101	98	103.1
Pittsburgh, Pa.....	852	92	84	109.5	1,052	101	95	106.2
Huntington, W. Va.....	752	92	73	117.9	949	101	89	114.8

Footnotes at end of table.

TABLE 120A.—Comparison of carload commodity rates on fresh meats from Western Trunk-Line and Southwestern Territories to Official Territory with Official Territory commodity-rate level—Continued.

[Rates in cents per 100 pounds]

To—	Short-line distance (miles)	Present rate	Official Territory basis ¹	Percent Official Territory level	From—			
					Kansas City, Mo.		Wichita, Kan.	
Cleveland, Ohio.....	746	84	78	107.7	946	94	88	108.8
Columbus, Ohio.....	668	84	73	115.1	867	94	84	111.9
Cincinnati, Ohio.....	599	70½	68	103.7	796	79½	80	99.4
Detroit, Mich.....	693	78	75	104.0	893	87	86	101.2
Grand Rapids, Mich.....	603	78	69	113.0	803	87	82	106.1
Fort Wayne, Ind.....	560	70½	65	108.5	760	79½	78	101.9
Indianapolis, Ind.....	489	63½	61	104.1	689	72½	75	96.7

To—	From—							
	Oklahoma City, Okla.				Fort Worth, Tex.			
Boston, Mass.....	1,715	136	\$ 131	103.8	1,823	148	\$ 137	108.0
New York, N. Y.....	1,581	136	\$ 124	109.7	1,653	148	\$ 123	115.6
Syracuse, N. Y.....	1,387	120	113	106.2	1,405	132	115	114.8
Philadelphia, Pa.....	1,501	134	120	111.7	1,560	146	\$ 123	118.7
Williamsport, Pa.....	1,855	133	112	118.8	1,463	145	117	123.9
Johnstown, Pa.....	1,223	115	104	110.6	1,831	127	110	115.5
Baltimore, Md.....	1,432	133	116	114.7	1,472	145	117	123.9
Richmond, Va.....	1,364	133	112	118.8	1,372	145	112	129.5
Buffalo, N. Y.....	1,244	109	105	103.8	1,352	121	112	108.0
Pittsburgh, Pa.....	1,145	109	99	110.1	1,253	121	106	114.2
Grafton, W. Va.....	1,170	112	101	110.9	1,258	124	106	117.0
Cleveland, Ohio.....	1,062	101	95	106.3	1,171	113	101	111.2
Columbus, Ohio.....	960	100	90	111.1	1,068	112	95	117.9
Cincinnati, Ohio.....	879	85½	86	99.4	960	97½	90	108.3
Detroit, Mich.....	1,017	95	93	102.2	1,145	107	99	108.1
South Bend, Ind.....	866	88	84	104.8	1,001	100	93	107.5
Indianapolis, Ind.....	781	78½	80	98.1	889	90½	86	105.2

To—	From—			
	West Fargo, N. Dak.			
	Short-line distance (miles)	Present rate	Official Territory basis ¹	Percent of Official Territory level
Boston, Mass.....	1,493	146	119	122.7
New York, N. Y.....	1,421	146	115	127.0
Albany, N. Y.....	1,309	143	109	131.2
Syracuse, N. Y.....	1,165	130	101	128.7
Philadelphia, Pa.....	1,428	144	116	124.1
Scranton, Pa.....	1,279	144	108	133.3
Johnstown, Pa.....	1,157	115	101	113.9
Baltimore, Md.....	1,392	143	113	126.5
Cumberland, Md.....	1,221	130	104	125.0
Richmond, Va.....	1,456	143	117	122.2
Buffalo, N. Y.....	1,020	109	93	117.2
Pittsburgh, Pa.....	1,079	109	97	112.4
Huntington, W. Va.....	1,044	109	94	115.6
Cleveland, Ohio.....	951	101	90	112.2
Columbus, Ohio.....	926	101	88	114.8
Cincinnati, Ohio.....	911	95	87	109.2
Detroit, Mich.....	831	95	83	114.5
Grand Rapids, Mich.....	679	95	73	130.1
Fort Wayne, Ind.....	779	88	79	111.4
Indianapolis, Ind.....	812	88	82	107.8

¹ Class 50, which is the average relation to first class of Official Territory commodity rates.

² Minneapolis, Minn., distance.

³ Official Territory basis extended beyond 1,500 miles at rate of progression found in scale from 1,400 to 1,500 miles.

TABLE 120A.—Comparison of carload commodity rates on fresh meats from Western Trunk-Line and Southwestern Territories to Official Territory with Official Territory commodity-rate level—Continued.

TARIFF AUTHORITY

Issuing carrier or agent	Tariff No.	I. C. C. No.	Issuing carrier or agent	Tariff No.	I. C. C. No.
B. T. Jones, agent.....	218-N	3758	L. E. Kipp, agent.....	8-8	A-3301
B. T. Jones, agent.....	400-Q	3751	J. R. Peel, agent.....	170-D	3272
L. E. Kipp, agent.....	1-Z	A-3381	New York Central R. R. Co..	1302	168
L. E. Kipp, agent.....	19-Q	A-3362	Pennsylvania R. R. Co.....	112-G	2592
L. E. Kipp, agent.....	50-R	A-3370			

Short-line distances taken from Eastern Railroads' Statement A-C, I. C. C. Docket No. 28277.

WESTERN TRUNK-LINE—SOUTHERN AND SOUTHWESTERN—SOUTHERN

Joint through rates from Western Trunk-Line producing points in Iowa, Minnesota, and the Missouri River cities to the South were prescribed in *Fresh Meats & Packing-House Products to, from, and between Points in Southern Territory*, 191 I. C. C. 257 (1933). The rates were determined by adding differentials from the various producing points to the approved rates from the gateways between Western Trunk-Line and Official territories.

From Southwestern shipping points, and also from Wichita, Kans., and the Missouri River cities, a basis of through rates to the South was prescribed for application via the lower Mississippi River crossings, Memphis and south. These rates, like those within the South, were made 47.5 percent of first class on fresh meats, and 35 percent on packing-house products, but the percentages were applied to "constructive" first-class rates made on the Southern K-2 scale from origin to destination, plus stated differentials from each origin to the different river crossings. These rates, therefore, are higher than the Southern level. The present through rates to the South from Western Trunk-Line and Southwestern Territories are on the basis shown above plus the general increases.

WESTERN TRUNK-LINE—SOUTHWESTERN

Rates on both fresh meats and packing-house products from St. Louis and Kansas City to the Southwest are based on scales prescribed in *Meats & Packing-House Products to, from, and between Southwestern and Western Trunk-Line Points*, 136 I. C. C. 651 (1928), 156 I. C. C. 299 (1929)—the same scales as those applying within the Southwest. Later the same scales were prescribed from Topeka, Kans., to destinations in Oklahoma, Texas, and New Mexico, in *Wolff Packing Co. v. Arkansas Western Ry. Co.*, 146 I. C. C. 141 (1928). Rates from Western Trunk-Line producing points, and also from Chicago, to points in the Southwest are stated differentials to Kansas City or St. Louis, plus the scale rates beyond.

A somewhat lower basis applies from Southwestern producing points to Kansas City, St. Louis, and Chicago, and to other points which take differentials over those gateways. These rates are the rates prescribed in *Investigation of Alleged Unreasonable Rates on Meats*, 22 I. C. C. 160 (1911), modified by subsequent general increases or reductions, and left undisturbed in *Packing-House Products, to, from, and between Southwestern and Western Trunk-Line Points*, referred to above.

TRANSCONTINENTAL

Rates on fresh meats and packing-house products from Chicago, the Missouri River, and other points west of the Mississippi River to transcontinental destinations were found not unreasonable in *Westbound Rates on Meats*, 210 I. C. C. 13 (1935). These rates, however, are high in comparison with rates which have been prescribed for application within Southwestern Territory. Table 121 compares the rates from a number of shipping points to Los Angeles, Calif., with rates for the same distances under the scale prescribed for application within the Southwest.

TABLE 121.—Present through rates and combination rates on fresh meats and packing-house products, in carloads, to Los Angeles, Calif. compared with rates on the Southwestern scale

[Rates in cents per 100 pounds]

To Los Angeles, Calif., from—	Short-line distance (miles)	Fresh meats, carload minimum weight 21,000 pounds.			Packing-house products ¹ carload minimum weight 30,000 pounds		
		Present rates		South-western scale ²	Present rates		South-western scale ²
		Combination rate	Through rate		Combination rate	Through rate	
Kansas City, Mo.....	1, 681	\$ 246	280	131	\$ 189	205	113
Des Moines, Iowa.....	1, 853	\$ 258	271	137	\$ 198	213	119
Fort Worth, Tex.....	1, 428	\$ 236	243	123	\$ 181	201	108
Chicago, Ill.....	2, 117	\$ 265	279	144	\$ 205	228	127
Denver, Colo.....	1, 253	-----	190	118	\$ 165½	169	101
Wichita, Kans.....	1, 503	\$ 237	250	124	\$ 182	205	109

¹ Viz: meats, cooked, cured, or preserved.

² Increased under *Ex Parte 123* and extended beyond 1,750 miles at rate of progression used in scale beyond 1,000 miles, applied to short-line distances.

³ Belen, N. Mex., combination. The combination rates apply when lower than the through rate.

⁴ Berino, N. Mex., combination. The combination rates apply when lower than the through rate.

Tariff authority: Agent Kipp's I. C. C. No. 1484, Agent Peel's I. C. C. No. 3272, Agent Haynes' I. C. C. No. 1382, A. T. & S. F. I. C. C. No. 14224.

SUMMARY

The interterritorial rates on fresh meats and packing-house products are constructed in various ways. Between Official Territory and the South they are built on the K-2—Q-1 formula, but the north-bound rates are lower than the south-bound, bringing them more nearly to the destination level. Rates to the South from both Western Trunk-Line and Southwestern Territories reflect the Southern level to a considerable extent. From Western Trunk-Line and Southwestern Territories to Official Territory the rates on fresh meats are combination rates, but in many instances they do not greatly exceed the Official Territory average level, and in a few instances are lower.

H. LIME

OFFICIAL—SOUTHERN

The Southern basis of lime rates, which is lower than the basic generally applying in Trunk-Line Territory, applies interterritorially to a considerable extent between the South and Trunk-Line Territory. From Virginia shipping points to the Carolinas and other Southern

points the rates are made on the Southern scale, with 17 producing points grouped and average mileage used. From certain producing points in West Virginia, Pennsylvania, and Maryland the rates to the Carolinas and other Southern destinations, except Virginia, are higher than from Virginia—with an arbitrary which was originally 30 cents per ton over the Virginia rates.

Between Southern and Central Territories a scale applies which originally was prescribed by the Commission in *National Mortar and Supply Co. v. Pennsylvania Railroad Co.*, 216 I. C. C. 75 (1936), for application from the North to the South. This scale is commonly called the interterritorial or Central-Southern scale. This scale, the Commission says, "is the Southern lime scale from 100 to 280 miles, then grades upward into approximately 10 percent less than the Southwestern lime scale at 800 miles, and continues on the latter basis to the end at 1,400 miles." See *Gager Lime Co. v. Alton Railroad Co.*, 218 I. C. C. 657, 658, 659 (1936). This scale is higher than the Central Territory scale for distances beyond 300 miles. This basis, i. e., ten percent less than the Southwestern scale, had been prescribed for the longer hauls from the South to Official Territory in *Gager Lime Mfg. Co. v. Alton Railroad Co.*, 214 I. C. C. 606 (1936), and from Official Territory to the South in *Dann-Gerow, Inc. v. Atlantic Coast Line Railroad Co.*, 210 I. C. C. 107 (1935).

WESTERN TRUNK-LINE—OFFICIAL

The Illinois Freight Association scale, which is lower than the Western Trunk-Line scales, applies from certain Western Trunk-Line points to points in Illinois Freight Association Territory. Specific rates, not related to the various scales, apply from certain producing points in southwest Missouri to points in Central Freight Association Territory. From Illinois Freight Association Territory to points in Western Trunk-Line zone I specific rates based on Western Trunk-Line scale A apply. To points in the other zones scale B is the basis for constructing specific rates. These adjustments place the rates to Western Trunk-Line points on the destination level.

Rates based on the Central Territory scale apply from points in the Upper Peninsula of Michigan, and from certain Wisconsin points via car-ferry routes to points in lower Michigan, Ohio, and Indiana.

WESTERN TRUNK-LINE—SOUTHWESTERN

Between Southwestern Territory and Western Trunk-Line Territory outside of zone I the scale B rates apply. This is the basis applicable within both territories. From zone I territory to the Southwest the Southwestern basis applies; and from the Southwest to Western Trunk-Line zone I, scale A applies, which is the basis applicable within zone I.

SOUTHWESTERN—SOUTHERN

From Southern Territory to the Southwest the higher Southwestern scale applies. To the South from Southwestern Territory, the interterritorial or Central—Southern scale applies.

SOUTHWESTERN—OFFICIAL

From Official Territory to the Southwest the higher Southwestern scale applies.

SUMMARY

The interterritorial rates on lime follow no consistent plan, but it is noticeable that in a number of the interterritorial adjustments the destination level applies.

J. LIVESTOCK

WESTERN—OFFICIAL AND WESTERN—SOUTHERN

From the West to Eastern or Official Territory, rates on livestock are made by combination on the Mississippi River or Chicago. The combination, however, is of proportional rates, and not of the local rates. The Western proportionals resulted from *Livestock—Western District Rates*, 176 I. C. C. 1 (1931), and are made 4 cents less than the Western local rates except that from the Missouri River markets (Kansas City to Sioux City) the proportionals are only 3 cents less than the local rates. The proportional rates from the Mississippi River and Chicago to Eastern Territory are made 2 cents less than the Eastern local basis. These proportional rates were prescribed in *Eastern Livestock Cases of 1926*, 165 I. C. C. 277, 313 (1930). The proportional rates are not applied through Chicago and St. Louis on shipments which move through the stockyards. Such shipments are subject to the full combination of local rates.

The combination basis of rates on livestock has been strongly criticized, but the Commission has adhered to the position that rates constructed in this way are not unreasonable. Table 122 shows that interterritorial rates on livestock constructed on the basis of a combination of proportionals result in higher rates than would result from the application of any of the intraterritorial scales for the same distance, except that to New York the rates are less than would result from applying the Mountain-Pacific scale.

TABLE 122.—Interterritorial rates on fat cattle (minimum weight 22,000 pounds), from the West to Eastern Territory compared with rates for same distances under intraterritorial livestock scales

[Rates in cents per 100 pounds]

	Distance (note 1) (miles)	Present rate	Rates under various scales for the same distances ¹			
			Central Freight As- sociation ²	Southern ³	Western Trunk- Line—South- western ⁴	Mountain- Pacific ⁵
To Indianapolis, Ind., from—						
Des Moines, Iowa.....	452	48	39	41	42	46
Kansas City, Mo.....	490	51	41	43	44	48
Amarillo, Tex.....	1,015	74	(7)	61	66	73
To Cleveland, Ohio, from—						
Des Moines, Iowa.....	659	62	47	49	51	57
Kansas City, Mo.....	746	66	50	52	55	60
Amarillo, Tex.....	1,278	89	(7)	69	78	86
To Buffalo, N. Y., from—						
Des Moines, Iowa.....	827	68	(7)	54	59	65
Kansas City, Mo.....	924	72	(7)	58	62	68
Amarillo, Tex.....	1,458	95	(7)	75	85	93
To New York, N. Y., from—						
Des Moines, Iowa.....	1,204	81	(7)	67	75	82
Kansas City, Mo.....	1,276	85	(7)	69	78	86
Amarillo, Tex.....	1,806	103	(7)	(13)	100	110

¹ Scales increased under *Ex Parte 123* except Southern scale which was prescribed Aug. 11, 1942.

² 165 I. C. C. 277, 313.

³ 253 I. C. C. 241, 301.

⁴ 176 I. C. C. 1, 188.

⁵ 176 I. C. C. 1, 199.

⁶ Rock Island, Ill., combination.

⁷ East Hannibal, Ill., combination.

⁸ East Fort Madison, Ill., combination.

⁹ Eastern scale ends at 800 miles.

¹⁰ Chicago combination.

¹¹ Quincy, Ill., combination.

¹² East Burlington combination.

¹³ Southern scale ends at 1,600 miles.

NOTE 1.—Distances as shown in *Midwest Ass'n of Meat Packers v. Alton R. R. Co.*, 220 I. C. C. 227, 229, and exhibit No. 63 offered in I. C. C. Docket 28300.

TARIFF AUTHORITY

I. C. C. No.—

19751.....	Chicago, Burlington & Quincy
C-12924.....	Chicago, Rock Island & Pacific
7343.....	Wabash
7524.....	Erie
368.....	New York Central
3476.....	J. R. Peel, Agent
3430.....	B. T. Jones, Agent

Issued by

From the West to the South livestock rates have generally been constructed on a combination basis. In *White Provision Co. v. Atlanta, Birmingham & Atlantic Railway Co.*, 118 I. C. C. 601 (1926), the Commission prescribed one-factor through rates from Missouri River markets, also from Chicago, East St. Louis, Fort Worth, and Oklahoma City to certain packing-house centers in the South. This scale, commonly known as the White scale, was later made to apply from other Western and Central markets. See *Alabama Packing Co. v. Alabama & Vicksburg Ry. Co.*, 156 I. C. C. 743 (1929), and *Knoxville Freight Bureau v. Southern Ry. Co.*, 167 I. C. C. 392 (1930). But in *Bragg Millsaps & Blackwell v. Louisiana & Arkansas Ry. Co.*, 203 I. C. C. 270, 273 (1934), the Commission denied a request for the prescription of rates based on the White scale from certain origins in Louisiana and Arkansas to Birmingham, finding that conditions had changed since the White scale had been prescribed. The changed

conditions related principally to the establishment of the proportional rates to Chicago and Mississippi River crossings from the West which had been prescribed in the Western Livestock Case. The orders in the *White Provision Co. case* and later cases in which the same scale was prescribed from the West to the South were vacated in 1939.

In *Livestock to and from the South*, 253 I. C. C. 241 (1942), the Commission required the use of proportional rates to and from the Mississippi River crossings, Memphis and south, for application on livestock from the Western District to the South, and through the South to Eastern Territory. To the crossings the proportional rates are 4 cents less than the Western local rates; from the crossings they are 2 cents less than the prescribed Southern scale. The combination basis makes the interterritorial rates higher than would result from applying either the Western Trunk-Line or Southern scales for the whole distance.

SOUTHERN—OFFICIAL

In *Livestock to and from the South*, 253 I. C. C. 241 (1942), through rates from the South to Official Territory were prescribed. These rates are on the same basis as the Southern scale, prescribed in the same case. These rates became effective February 1, 1943. The new rates are on about the level of the rates which have prevailed in Trunk-Line Territory, and about 5 or 6 percent above the Central Territory level.

From Central Territory to Southern Territory the full combination of locals applies except from a few Central Territory markets where through rates established on the basis prescribed in the *White Provision Co. case* referred to above have been continued.

MOUNTAIN-PACIFIC—WESTERN TRUNK-LINE & SOUTHWESTERN

For hauls between Mountain-Pacific Territory and Western Trunk-Line and Southwestern Territories the two intraterritorial scales were blended by providing that the lower scale should apply for the entire distance from origin to destination plus arbitraries for the distance within the higher-rated Mountain-Pacific Territory. The arbitraries represent the difference between the two scales for the distance blocks for which the arbitraries are shown. This system of constructing the rates between Mountain-Pacific Territory and Western Trunk-Line and Southwestern territories was prescribed in *Livestock—Western District Rates*, 176 I. C. C. 1 (1931).

SUMMARY

The interterritorial livestock rates illustrate three entirely different bases of constructing rates from one rate territory to another. Modified combination rates apply from the West to Eastern Territory, and from the West to the South. The new rates from the South to Eastern Territory went into effect on February 1, 1943, and are on the basis of a single scale—the scale applicable in the South. Between Mountain-Pacific and both Southwestern and Western Trunk-Line Territories the interterritorial rates represent a blending of the Western and Mountain-Pacific levels. Where the interterritorial rates are constructed on the basis of combinations the resulting rates are higher than would result from applying the scale applicable in either the origin or destination territory for the whole distance.

K. LUMBER

OFFICIAL—SOUTHERN

There is a large movement of lumber from Southern Territory to Official Territory, and very little from Official Territory to Southern Territory.

With some exceptions, the rates on lumber from the South to Central Territory were originally constructed on a combination of local and proportional rates to and from the Ohio River crossings or the Virginia cities. Later the rates resulting from the combinations were published as through rates. As a result of general rate increases in 1918 and 1920, and of the general reduction in 1922, the through rates ceased to correspond to the combinations on the Ohio River and Virginia cities.

Present rates from the South to Central Territory are group rates.* The origin groups in the South vary in size. The Mississippi-Alabama group covers southern Mississippi, southern Alabama, western Florida, and that part of Louisiana east of the Mississippi River. The Georgia main-line group includes most of Georgia and that part of Florida north of the line of the Seaboard Air Line Railway from River Junction to Jacksonville. Another large origin group is known as the Upper Alabama-Central Georgia group, and includes the northern part of those States and part of eastern Mississippi. The remainder of Southern Territory is also grouped but these groups are smaller than those just mentioned. Prior to 1940, Central Territory was divided into a large number of destination groups with the rates graded upward from Cairo, Ill., and other Ohio River crossings.

Owing to the decline in lumber shipments from Southern Territory to Central Territory over a period of years, lumber rates from the South were reduced in 1940. The reductions were generally 4 cents from the various Southern origin groups, subject to certain exceptions which resulted in smaller reductions, or no reductions, from certain groups. Maximum and minimum limitations on these reductions disturbed the previously existing destination groups in Central Territory.

Table 123 shows lumber rates from Southern points to points in Central Territory compared with rates for the same distances under lumber rate scales used in those territories. The comparisons show that the interterritorial rates are generally higher than would be produced by either the Southern or Eastern intraterritorial scales.

* Important cases in which lumber rates from the South to Central Territory have been before the Commission are *Rates on Lumber from Southern Points*, 34 I. C. C. 652 (1915), 36 I. C. C. 137 (1915); *Southeastern Lumber*, 42 I. C. C. 548 (1917); *Adams-Bank Lumber Co. v. Aberdeen & Rockfish R. R. Co.*, 157 I. C. C. 280 (1929); *Hoffman Lumber Co. v. Atlantic Coast Line R. R. Co.*, 181 I. C. C. 779 (1932); *Lumber from the South and Southwest*, 198 I. C. C. 753 (1934), 215 I. C. C. 391 (1936), 218 I. C. C. 181 (1936), 226 I. C. C. 431 (1938), 245 I. C. C. 67 (1941).

TABLE 123.—Interterritorial rates on lumber, in carloads, from Southern Territory to Central Territory, compared with intraterritorial mileage scales¹

[Rates are in cents per 100 pounds]

	Short-line miles	Present rates ²	Mileage scales			
			Southern		Official	
			Adams-Bank ³	Compromise scale ⁴	Class 25K ⁵	Class 22.5 ⁶
To Chicago, Ill., From—						
Goldsboro, N. C.....	910	43	40	39	42	39
Hickory, N. C.....	770	45	37	35	38	35
Columbia, S. C.....	850	41	39	37	40	37
Danville, Ky.....	385	33	26	24	26	25
Wartrace, Tenn.....	494	37	29	28	29	27
Tupelo, Miss.....	585	36	32	30	33	30
Hattiesburg, Miss.....	805	40	38	36	39	37
Gadsden, Ala.....	666	37	34	32	35	33
Dothan, Ala.....	861	40	39	37	40	38
Gainesville, Ga.....	781	41	37	35	38	36
Albany, Ga.....	890	41	40	38	41	38
Jacksonville, Fla.....	1,059	41	44	42	45	43
Alachua, Fla.....	1,070	44	44	42	45	43
To Indianapolis, Ind., From—						
Goldsboro, N. C.....	758	42	36	34	37	35
Hickory, N. C.....	589	38	32	30	33	30
Columbia, S. C.....	660	41	34	32	35	32
Danville, Ky.....	204	25	18	15	20	19
Wartrace, Tenn.....	352	33	25	22	25	23
Tupelo, Miss.....	497	36	29	28	29	27
Hattiesburg, Miss.....	717	40	35	33	36	34
Gadsden, Ala.....	516	37	29	28	29	28
Dothan, Ala.....	719	40	35	33	36	34
Gainesville, Ga.....	613	41	33	31	33	31
Albany, Ga.....	742	41	36	34	37	35
Jacksonville, Fla.....	891	41	40	38	41	38
Alachua, Fla.....	902	44	40	39	42	39
To Detroit, Mich., From—						
Goldsboro, N. C.....	808	38	38	36	39	37
Hickory, N. C.....	703	39	35	33	36	34
Columbia, S. C.....	814	41	38	36	39	37
Danville, Ky.....	370	31	25	22	25	24
Wartrace, Tenn.....	596	33	32	30	33	30
Tupelo, Miss.....	757	38	36	34	37	35
Hattiesburg, Miss.....	973	41	42	40	43	40
Gadsden, Ala.....	682	39	35	33	36	34
Dothan, Ala.....	951	41	41	39	43	40
Gainesville, Ga.....	781	41	37	35	38	36
Albany, Ga.....	910	42	40	39	42	39
Jacksonville, Fla.....	1,059	42	44	42	45	43
Alachua, Fla.....	1,070	45	44	42	45	43
To Columbus, Ohio, From—						
Goldsboro, N. C.....	628	35	33	31	34	32
Hickory, N. C.....	516	36	29	28	29	28
Columbia, S. C.....	627	40	33	31	34	32
Danville, Ky.....	230	27	19	17	21	19
Wartrace, Tenn.....	466	31	29	28	28	27
Tupelo, Miss.....	638	38	33	31	34	32
Hattiesburg, Miss.....	833	41	38	36	40	37
Gadsden, Ala.....	542	39	30	29	32	29
Dothan, Ala.....	811	41	38	36	39	37
Gainesville, Ga.....	641	41	34	32	35	32
Albany, Ga.....	770	41	37	35	38	35
Jacksonville, Fla.....	904	41	40	39	42	39
Alachua, Fla.....	930	41	41	39	42	40

¹ Rates shown do not include *Ex Parte* 148 increases.

² Through commodity rates, except as noted.

³ Scale prescribed in 157 I. C. C. 280, increased 5 percent. Scale extended beyond 800 miles at rate of progression of scale from 620 to 800 miles.

⁴ Voluntary scale made effective June 17, 1940.

⁵ Prescribed in 214 I. C. C. 493, and 219 I. C. C. 427.

⁶ Adopted as a truck competitive measure, effective Aug. 20, 1940.

⁷ Louisville, Ky., combination.

Tariff authorities: Agent R. H. Hoke's I. C. C. Nos. 696, 703, 709, 714.

From Southern Territory to Trunk-Line and New England Territories rates on lumber were prescribed by the Commission in *North Carolina Pine Association v. Atlantic Coast Line Railroad Co.*, 85 I. C. C. 270 (1923), 107 I. C. C. 190 (1926). Key rates were prescribed from six origins to a number of Eastern points, and the carriers were directed to relate other rates to the key-point rates. The key-point rates to the Eastern port cities of Philadelphia, New York, and Boston show the influence of water competition. The rates to interior key points were higher than to the ports. The adjustment of other rates to the key-point rates resulted in extensive grouping of both origins and destinations. Except for minor changes, these rates as increased 5 percent under *Ex Parte 123* remained in effect until January 1940, when the carriers voluntarily reduced the level 8 percent, with a maximum reduction of 4 cents. Table 124 shows the key-point rates prescribed by the Commission in the *North Carolina Pine Association case*, and the present rates, compared with the rates for corresponding distances under the Southern and Eastern scales applicable on lumber. In some instances the rates are higher, and in others they are lower, than would result from applying the prescribed or approved intraterritorial scales in origin or destination territories.

WESTERN TRUNK-LINE—OFFICIAL

Prior to February 15, 1909, the rates on lumber from producing points in the Upper Peninsula of Michigan and the northern part of Wisconsin to points in Central, Trunk-Line, and New England Territories were combinations to and from natural gateways and rate-breaking points such as Milwaukee and Manitowoc, Wis., and Chicago, Ill. On that date joint through rates were established which were based on the lowest combination of locals by way of the most direct gateways. The rates so constructed were equalized through the principal gateways as a result of rail competition. These joint rates have been continued without material change except for the subsequently authorized general increases and reductions. The rates are constructed on a group basis, with both origin and destination groups recognized. The rates to Central Territory were found not unreasonable in *Northern Hemlock & Hardwood Mfrs. Association v. Ann Arbor R. R. Co.*, 168 I. C. C. 218 (1930).

The level of the rates to Official Territory points approximates 22.5 percent of first class—the basis generally observed within Official Territory. Table 125 compares the rates from Rhinelander and Wausau, Wis., to various destinations in Official Territory with rates constructed on the basis of 22.5 percent of first class between the same points and also with the rates for equal distances on the Eastern level of lumber rates. The rates are somewhat higher than the Official Territory level.

TABLE 124.—Key rates prescribed on lumber, in carloads, from Southern points to Trunk-Line and New England Territories compared with the Southern Compromise scale and with the rates within Official Territory for similar distances

[Rates in cents per 100 pounds]

From—	To—	Distance (miles)	Pre-scribed key rates ¹	Present rates ²	Southern Compromise scale	Official Territory rates ³	
						25K	22.5
Goldsboro, N. C.	Philadelphia, Pa.	416	27	25	25½	26	25
Do.	Williamsport, Pa.	492	33	30	28	29	27
Do.	New York, N. Y.	502	33	30	28	29	28
Do.	Pittsburgh, Pa.	577	34	31	30	32	30
Sumter, S. C.	Philadelphia, Pa.	588	34	31	30	33	30
Goldsboro, N. C.	Hartford, Conn.	614	35	32	31	33	31
Do.	Albany, N. Y.	647	35	32	32	35	32
Sumter, S. C.	Williamsport, Pa.	670	40	37	32	35	33
Do.	New York, N. Y.	680	40	37	32	35	33
Goldsboro, N. C.	Syracuse, N. Y.	703	37	34	33	36	34
Do.	Buffalo, N. Y.	711	37	34	33	36	34
Do.	Boston, Mass.	734	37	34	34	37	34
Sumter, S. C.	Pittsburgh, Pa.	755	40	37	34	37	35
Do.	Hartford, Conn.	792	41	38	35	38	36
Do.	Albany, N. Y.	825	41	38	36	39	37
Do.	Syracuse, N. Y.	881	44	40	38	41	38
Do.	Buffalo, N. Y.	889	44	40	38	41	38
Do.	Boston, Mass.	912	44	40	38	42	39
Albany, Ga.	Philadelphia, Pa.	944	38	34	39	42	40
Live Oak, Fla.	do.	972	39	35	40	43	40
Albany, Ga.	Pittsburgh, Pa.	999	45	41	40	43	41
Vicksburg, Miss.	Grafton, W. Va.	1,004	46	42	41	44	42
Do.	Pittsburgh, Pa.	1,006	46	42	41	44	42
Albany, Ga.	Williamsport, Pa.	1,024	44	40	41	44	42
Do.	New York, N. Y.	1,035	44	40	41	45	42
Live Oak, Fla.	Williamsport, Pa.	1,054	45	41	42	45	43
Do.	New York, N. Y.	1,064	45	41	42	45	43
Vicksburg, Miss.	Johnstown, Pa.	1,084	47	43	43	46	43
Do.	Baltimore, Md.	1,102	47	43	43	47	44
Do.	Cumberland, Md.	1,105	47	43	43	47	44
Albany, Ga.	Buffalo, N. Y.	1,132	47	43	44	47	45
Live Oak, Fla.	Pittsburgh, Pa.	1,139	45	41	44	47	45
Albany, Ga.	Hartford, Conn.	1,148	45	41	44	47	45
Live Oak, Fla.	do.	1,176	46	42	45	48	46
Albany, Ga.	Albany, N. Y.	1,180	45	41	45	48	46
Vicksburg, Miss.	Philadelphia, Pa.	1,190	48	44	45	48	46
Live Oak, Fla.	Albany, N. Y.	1,209	46	42	46	49	47
Vicksburg, Miss.	Williamsport, Pa.	1,216	47	43	46	49	47
Albany, Ga.	Syracuse, N. Y.	1,239	47	43	46	50	47
Live Oak, Fla.	do.	1,265	48	44	47	50	48
Albany, Ga.	Boston, Mass.	1,270	47	43	47	50	48
Vicksburg, Miss.	Syracuse, N. Y.	1,270	49	45	47	50	48
Live Oak, Fla.	Buffalo, N. Y.	1,272	48	44	47	50	48
Do.	Boston, Mass.	1,276	48	44	47	51	48
Vicksburg, Miss.	New York, N. Y.	1,283	49	45	48	51	48
Average relation to present rates (percent)			109.4	100	101.2	108.8	103

¹ As increased under *Ex Parte* 123. Prescribed in 85 I. C. C. 270, and 107 I. C. C. 190.

² As voluntarily established Jan. 10, 1940.

³ Class 25 (later 25K under *Ex Parte* 123) approved for application on lumber and forest products, carloads, between points in Official Territory in 214 I. C. C. 493, and 219 I. C. C. 427, as maximum. Class 22.5 adopted as truck competitive measure in 1940.

⁴ Scale extended for distances over 1,160 miles at same rate of progression as for distances 520 miles to 1,160 miles.

Tariff authority for present rates, Agent R. H. Hoke's I. C. C. No. 624.

TABLE 125.—Rates on lumber, in carloads, from Wisconsin producing points to Official Territory compared with Official Territory basis and rates¹

To—	Distance (miles)	First-class rates	Present rates on lumber	22.5 percent of first class	22.5 percent of Official first class
From Rhinelander, Wis.					
Bay City, Mich.....	369	133	30	30	24
Detroit, Mich.....	467	144	31	32	27
Flint, Mich.....	403	141	31	32	24
Grand Rapids, Mich.....	338	125	28	28	23
Cincinnati, Ohio.....	590	158	34	36	30
Cleveland, Ohio.....	602	163	34	37	31
Columbus, Ohio.....	605	163	34	37	31
Fort Wayne, Ind.....	458	143	31	32	26
Indianapolis, Ind.....	491	150	31	34	27
Baltimore, Md.....	1,043	204	44	46	42
New York, N. Y.....	1,061	205	47	46	43
Rochester, N. Y.....	716	166	42	37	34
From Wausau, Wis.					
Bay City, Mich.....	370	124	28	28	23
Detroit, Mich.....	425	133	32	30	26
Flint, Mich.....	363	131	32	29	24
Grand Rapids, Mich.....	296	117	26	26	22
Cincinnati, Ohio.....	545	146	34	33	29
Cleveland, Ohio.....	560	154	34	35	29
Columbus, Ohio.....	560	152	34	34	29
Fort Wayne, Ind.....	413	135	31	30	25
Indianapolis, Ind.....	446	142	31	32	26
Baltimore, Md.....	1,001	204	42	45	42
New York, N. Y.....	1,012	204	45	45	42
Rochester, N. Y.....	676	166	40	37	33

¹ From proposed report in Docket 28856, *Robbins Flooring Co. v. Ann Arbor R. R. Co.*

SOUTHWESTERN-OFFICIAL

Joint through rates are published on lumber from origin groups in the Southwest to large groups of destination in Central, Trunk-Line, and New England Territories.⁷ The largest and principal origin group is the Yellow Pine Blanket. This group includes large portions of Oklahoma and Arkansas, eastern Texas, and that part of Louisiana lying west of the Mississippi River. Southeastern Missouri and that portion of Arkansas not included in the Yellow Pine Blanket are divided into several small groups. Destinations in Trunk-Line and New England Territories are grouped in a pattern which was used in connection with the class-rate adjustment from Chicago and points in Central Territory prior to the *Eastern Class Rate Investigation*. Similar but smaller groups are used to points in Central Territory.

The present through rates on lumber from the Southwest to Official Territory are in many instances the equivalent of the combination rates to and beyond Thebes, Ill., Cairo, Ill., or Cincinnati, Ohio, in effect prior to June 25, 1918, as changed by the general increases and reduction, and as subsequently modified by a special reduction in 1940. This is especially true of the rates to Central Territory. Generally, where the rates were made less than the combination, the lower rates were made to meet competition from other areas of production.

⁷ These rates were before the Commission in the following cases: *Rates on Lumber from Southern Points*, 24 I. C. C. 652 (1915); *Lumber Rates to Eastern Cities*, 37 I. C. C. 212 (1915); *Lumber from the South and Southwest*, 198 I. C. C. 753 (1934).

In 1940 a reduction was made in the rates from the Southwest to points in Official Territory for the purpose of meeting competition from other producing areas and competition from other building materials. This revision centered around a key reduction of 4 cents in the blanket rates, with corresponding reductions from related groups, but with a maximum reduction of 8 percent, and subject to certain other rates as maxima or minima. From the northern section of the Southwest the rates on other kinds of lumber are often less than those applied on yellow pine and cypress.

Representative rates on lumber from the Southwest to Official Territory are shown in tables 126 and 127, together with rates for corresponding distances under Southern, Official, and Southwestern intraterritorial mileage scales for the same distances. Table 126 indicates that from the Yellow Pine Blanket the interterritorial rates are generally lower than would result from applying the various intraterritorial scales for the whole distance. Table 127 indicates that from Poplar Bluff, Mo., the interterritorial rates average slightly more than the rates which would result from applying the various intraterritorial scales.

TABLE 126.—Rates on lumber, in carloads, from Southwestern Yellow Pine Blanket to points in Eastern Territory compared with rates under intraterritorial lumber scales ¹

[Rates are in cents per 100 pounds]

From Southwestern Blanket to—	Average shortline distance ² (miles)	Present rates	Mileage scales ³				
			Southern		Official		Southwestern (Truck—competitive)
			Adams-Bank	Compromise	Class 25K	Class 22.5	
Boston, Mass.....	1,737	53	61	59	63	59	61
New York, N. Y.....	1,542	47	56	54	58	54	57
Philadelphia, Pa.....	1,450	46	54	52	56	52	54
Baltimore, Md.....	1,363	46	52	50	54	50	52
Syracuse, N. Y.....	1,339	46	51	49	53	50	51
Williamsport, Pa.....	1,384	46	52	50	54	51	53
Buffalo, N. Y.....	1,278	46	49	47	51	48	50
Johnstown, Pa.....	1,252	46	49	47	50	48	49
Grafton, W. Va.....	1,179	46	47	45	48	46	47
Pittsburgh, Pa.....	1,174	46	47	45	48	45	47
Youngstown, Ohio.....	1,153	45	46	44	48	45	47
Cleveland, Ohio.....	1,096	44	45	43	46	43	45
Detroit, Mich.....	1,069	42	44	42	45	43	45
Columbus, Ohio.....	989	42	42	40	43	41	43
South Bend, Ind.....	925	41	41	39	42	39	41
Richmond, Ind.....	884	41	40	38	41	38	40
Indianapolis, Ind.....	816	41	38	36	39	37	38
Average relation to present rates (percent).....		100	106.5	102.1	109.8	103.3	107.3

¹ Rates include *Ex Parte* 123 increases.

² Average short-line distance from Alexandria, La., Ardmore, Okla., Bunkie, La., Camden, Ark., De Ridder, La., Fort Worth, Tex., Houston, Tex., Lake Charles, La., Little Rock, Ark., Monroe, La., Oklahoma City, Okla., Palestine, Tex., San Antonio, Tex., Shreveport, La., Waco, Tex.

³ The Adams-Bank, Compromise, Official Class and Southwestern scales extended beyond 800, 1,160, 1,500, and 700 miles, respectively.

Tariff authority: J. R. Peel's I. C. C. Nos. 3342, 3372, and 3454.

INTERTERRITORIAL FREIGHT RATES

TABLE 127.—Rates on lumber, in carloads, from Poplar Bluff, Mo., to points in Eastern Territory, compared with rates under various intraterritorial lumber scales¹

[Rates are in cents per 100 pounds]

From Poplar Bluff, Mo., to—	Short-line distance (miles)	Present rates	Mileage scales ²				
			Southern		Official		Southwestern (Truck-competitive)
			Adams-Bank	Compromise	Class 25K	Class 22.5	
Boston, Mass.....	1,283	81	80	48	51	48	80
New York, N. Y.....	1,144	47	46	44	47	45	47
Philadelphia, Pa.....	1,064	45	44	42	45	43	45
Baltimore, Md.....	980	44	42	40	43	41	42
Syracuse, N. Y.....	865	42	39	37	40	38	40
Williamsport, Pa.....	923	44	40	39	42	39	41
Buffalo, N. Y.....	812	38	38	36	39	37	38
Johnstown, Pa.....	791	41	37	35	38	36	38
Grafton, W. Va.....	718	40	35	33	36	34	36
Pittsburgh, Pa.....	713	39	35	33	36	34	36
Youngstown, Ohio.....	686	36	35	33	36	34	35
Cleveland, Ohio.....	631	35	33	31	34	32	33
Detroit, Mich.....	605	33	33	31	33	31	33
Columbus, Ohio.....	529	33	30	29	30	29	30
South Bend, Ind.....	462	31	29	28	29	27	28
Richmond, Ind.....	418	31	27	25.5	26	25	26
Indianapolis, Ind.....	349	31	25	21	25	23	23
Average relation to present rates (percent).....		100	93.6	88.7	95.3	90.3	94.1

¹ Rates include *Ex Parte* 153 increases.

² The Adams-Bank, Compromise, and Southwestern scales extended beyond 800, 1,160, and 700 miles, respectively, at the same rate of progression appearing in last several mileage blocks of these scales.

Tariff authority: Agent J. R. Peel's I. C. C. Nos. 3301, 3342, 3454.

SOUTHWESTERN—WESTERN TRUNK-LINE

The rates on lumber from the Southwest to destinations in Western Trunk-Line and Illinois territories are generally in the form of group adjustments, but the origin groups are not identical to those observed in the rate adjustments to Official Territory.³ The destination territory, for the most part, is also divided into numerous rate groups.

Representative rates on lumber from the Southwest to Western Trunk-Line destinations are shown in tables 128 and 129 and are compared with rates which would result from applying various intraterritorial mileage scales to the same distances. It will be observed that these rates tend to be higher than would result from applying the various intraterritorial scales commonly used.

³ These rates have been before the Commission in the following cases: *Lumber rates from Helena, Ark., and Other Points*, 41 I. C. C. 565 (1916); *Traffic Bureau, Sioux City Commercial Club v. Alexandria & Western Ry. Co.*, 47 I. C. C. 347 (1917); *Lumber from the South and Southwest*, 198 I. C. C. 753 (1934); *Lumber from and to the Southwest*, 255 I. C. C. 149 (1943).

TABLE 128.—Rates on lumber, in carloads, from Southwestern Blanket to Western Trunk-Line Territory compared with rates under various lumber scales

[Rates are in cents per 100 pounds. Include *Ex Parte 123* increases]

From Southwestern Blanket to—	Average short-line distance ¹ (miles)	Present rates ²	Mileage scales ³				Southwestern (Truck-competitive)
			Southern		Official		
			Adams-Bank	Compromise	Class 25K	Class 22.5	
Kansas City, Mo.....	620	36	33	31	33	31	33
Topeka, Kans.....	633	36	33	31	34	32	33
Lincoln, Nebr.....	783	40	37	35	38	36	38
Omaha, Nebr.....	801	40	38	36	39	37	38
Grand Island, Nebr.....	807	43	38	36	39	37	38
Des Moines, Iowa.....	827	40	38	36	40	37	39
Chicago, Ill.....	884	41	40	38	41	38	40
Sioux City, Iowa.....	897	43	40	38	41	38	40
Minneapolis, Minn.....	1,073	47	44	42	45	43	45
Aberdeen, S. Dak.....	1,160	66	46	44	48	45	47
Duluth, Minn.....	1,215	54	48	46	49	47	48
Bismarck, N. Dak.....	1,340	76	51	49	53	50	51
Average relation to present rates (percent).....		100	85.7	81.5	88.2	83.1	86.4

¹ Average short-line distances from Alexandria, La., Bunkie, La., Camden, Ark., De Ridder, La., Fort Worth, Tex., Greenville, Tex., Houston, Tex., Lake Charles, La., Little Rock, Ark., Monroe, La., Palestine, Tex., San Antonio, Tex., Shreveport, La., Waco, Tex.

² The Adams-Bank, Compromise, and Southwestern scales extended beyond 800, 1,160, and 700 miles, respectively, at same rate of progression appearing in last several mileage blocks of these scales.

³ Rates on lumber, other than yellow pine and cypress, are in some instances slightly less than shown in this table.

⁴ Minimum weight 50,000 pounds.

Tariff authority: Agent J. R. Peel's I. C. C. Nos. 3372 and 3473.

TABLE 129.—Rates on lumber, in carloads, from Poplar Bluff, Mo., to Western Trunk-Line Territory compared with rates under various lumber scales

[Rates are in cents per 100 pounds. Include *Ex Parte 123* increases]

From Poplar Bluff, Mo., to—	Short-line distance (miles)	Present rates ²	Mileage scales ³				Southwestern (Truck-competitive)
			Southern		Official		
			Adams-Bank	Compromise	Class 25K	Class 22.5	
Chicago, Ill.....	421	30	28	26½	27	26	26
Kansas City, Mo.....	436	27	28	26½	27	26	27
Des Moines, Iowa.....	493	31	29	28	29	27	29
Topeka, Kansas.....	496	31	29	28	29	27	29
Omaha, Nebr.....	576	31	32	30	32	30	32
Lincoln, Nebr.....	583	31	32	30	33	30	32
Grand Island, Nebr.....	657	39	34	32	35	32	34
Sioux City, Iowa.....	670	34	34	32	35	33	34
Minneapolis, Minn.....	698	38	35	33	36	34	35
Duluth, Minn.....	835	43	38	36	40	37	39
Aberdeen, S. Dak.....	897	53	40	38	41	38	40
Bismarck, N. Dak.....	1,077	71	44	42½	46	43	45
Average relation to present rates (percent).....		100	87.8	83.2	89.3	83.4	87.6

¹ The Adams-Bank, Compromise, and Southwestern scales extended beyond 800, 1,160, and 700 miles, respectively, at same rate of progression appearing in last several mileage blocks of these scales.

² Rates on lumber, other than yellow pine and cypress, are in some instances slightly less than shown in this table.

Tariff Authority: J. R. Peel's I. C. C. Nos. 3301 and 3473.

TRANSCONTINENTAL

Since the Pacific Coast States are now the principal producers of lumber in the United States, east-bound transcontinental lumber rates are important.

For the purpose of making rates on lumber the Pacific coast area is divided into several large rate groups. These are: the North Pacific Coast group, which embraces that part of Oregon and Washington west of the Cascade Mountains and a small portion of British Columbia; the Intermediate group, which consists of central Oregon and central Washington; the Inland Empire group, which includes the remainder of Washington and Oregon, western Idaho, and northwestern Montana; the California Coast group, which embraces the area south from Grants Pass, Oreg., to the Mexican border, and west of the summit of the Sierra Nevada; and the Hawley-Truckee group, which takes in the producing points in California and Nevada east of the summit of the Sierra Nevada. Some of these groups are subdivided for the purpose of constructing rates to certain destinations.

There is a dual system of rates from transcontinental groups to destinations in Eastern Territory, east of the Illinois-Indiana State line. From all of the origin groups to this area a blanket rate applies on rough and planed lumber. When established, in 1935, the blanket rate was 72 cents, and was approved by the Commission in *Lumber from Pacific Coast to Eastern Points*, 210 I. C. C. 317 (1935). This rate represented a considerable reduction from the rates previously in effect to Eastern Territory, and was intended to meet water competition via the Panama Canal. The rate at the present time is 82 cents.

The normal rates, with which the blanket rate alternates, to points in Eastern Territory are constructed on a group basis, with Eastern Territory, east of the Indiana-Illinois State line, divided into six groups.

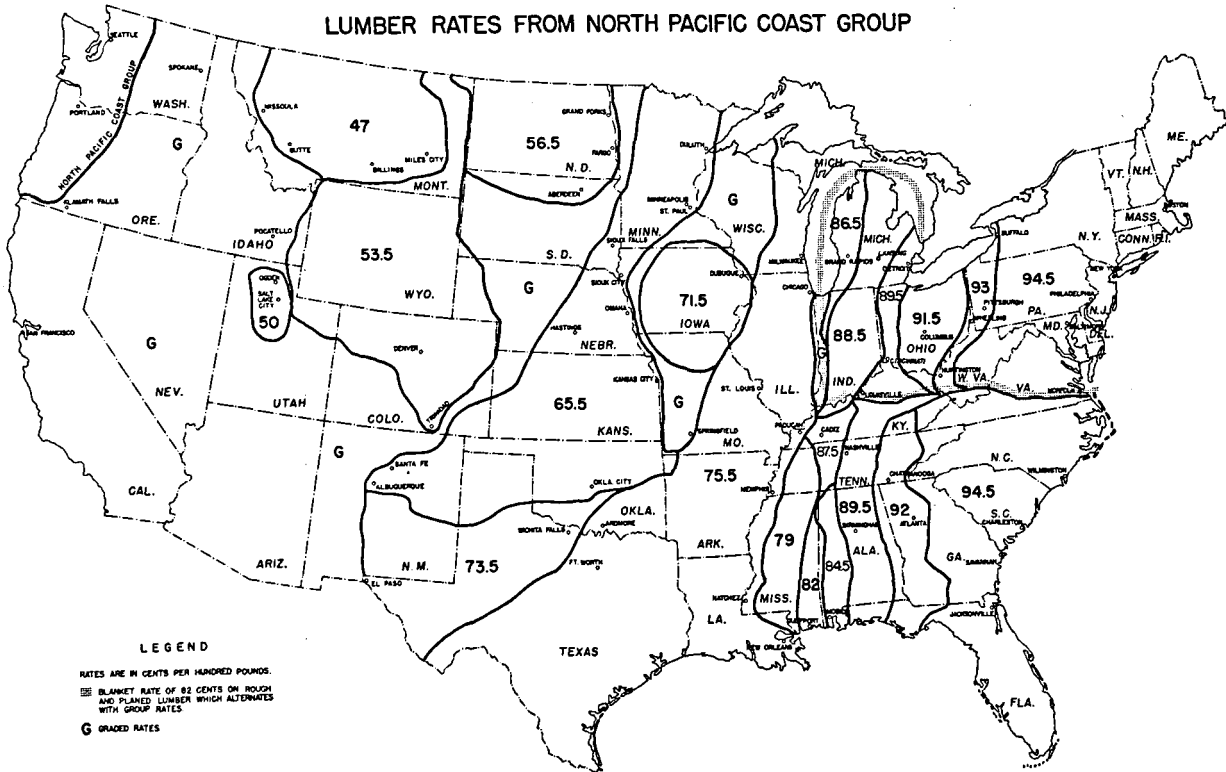
The lumber rates from the North Pacific Coast group to points in Southern Territory, Western Trunk-Line Territory, and Southwestern Territory, as well as the normal rates to Eastern Territory, are shown in figure 20. It will be noted that the rate structure is characterized by large destination groups, although there are some areas in which graded rates apply.⁹ The map shows that the group rates grade upward, being higher to the more distant destination groups.

Generally, the rates to points in Eastern and Southern Territories are the same from the California Coast group as from the North Pacific Coast group. From interior origin groups the rates are differentials under the rates from the coast groups. To points in Western Trunk-Line and Southwestern Territories the rates from the California Coast group are frequently different from the rates from the North Pacific Coast group, and the destination groups, accordingly, differ from those shown on the accompanying map.

⁹ The principal cases in which transcontinental lumber rates have been before the Commission are: *Lumber from Pacific Coast to Eastern Points*, 210 I. C. C. 317 (1935); *West Coast Lumbermen's Association v. Akron, Canton & Youngstown Ry. Co.*, 183 I. C. C. 191 (1932), 192 I. C. C. 343 (1933); *California White & Sugar Pine Association v. Atchison, Topeka & Santa Fe Ry. Co.*, 146 I. C. C. 728 (1928); *Lumber from Pacific Coast to Southeast*, 229 I. C. C. 529 (1934); *West Coast Lumbermen's Association v. Abilene & Southern Ry. Co.*, 78 I. C. C. 746 (1923), 104 I. C. C. 695 (1925); *Lumber and Other Forest Products*, 161 I. C. C. 321 (1930); *Oregon & Washington Lumber Manufacturers' Association v. Union Pacific R. R. Co.*, 14 I. C. C. 1 (1908); *Pacific Coast Lumber Manufacturers' Association v. Northern Pacific Ry. Co.*, 14 I. C. C. 23 (1908); *Burlington Shippers' Association v. Atchison, Topeka & Santa Fe Ry. Co.*, 107 I. C. C. 199 (1926).

Board of Investigation and Research
TRANSPORTATION ACT OF 1940

LUMBER RATES FROM NORTH PACIFIC COAST GROUP



LEGEND

RATES ARE IN CENTS PER HUNDRED POUNDS.

▭ BLANKET RATE OF 82 CENTS ON ROUGH AND PLANKED LUMBER WHICH ALTERNATES WITH GROUP RATES

G GRADED RATES

ADAPTED FROM MAP PUBLISHED BY WEST COAST LUMBERMEN'S ASSOCIATION

FIGURE 20

U. S. GOVERNMENT PRINTING OFFICE: 1940 O - 8064

Owing to the great length of the hauls from the Pacific coast to eastern destinations the transcontinental lumber rates cannot be compared with intraterritorial scales of lumber rates without extending the scales far beyond the distances for which they were prescribed.

SUMMARY

Interterritorial lumber rates are nearly all constructed on a group basis, and their levels are therefore difficult to compare. Frequently, however, the interterritorial rates are higher than would result from applying intraterritorial lumber scales to the whole distance. The rates from the Southwestern yellow pine blanket to many destinations in Trunk-Line and New England Territories, however, are lower than would result from applying any of the intraterritorial scales.

L. PLASTER AND PLASTERBOARD

1. PLASTER

Official—Southern.

On plaster, the rates from Official Territory to the South are on the basis of the Revised 12,704 scale applicable in Western Trunk-Line and Southwestern Territories, which is higher than the scale observed within Central Territory and Trunk-Line Territory, but not quite as high as the Southern basis for distances beyond 360 miles. This basis was approved for application from Official Territory to the South in *Plaster, Plasterboard, and Related Articles*, 218 I. C. C. 406 (1936). The interterritorial movement is largely into the South.

Western—Southern.

The Revised 12,704 scale applies from both Western Trunk-Line and Southwestern Territories to the South. This basis is that generally prevailing within both Western Trunk-Line and Southwestern Territories, and is slightly lower than the Southern basis beyond 360 miles. This basis was approved in *Plaster, Plasterboard, and Related Articles*, referred to above.

Western Trunk-Line—Southwestern.

The Revised 12,704 scale applies between these territories as is natural considering that this is the same basis applying within both territories.

Western Trunk-Line—Official.

From Western Trunk-Line points to Central Territory the Revised 12,704 scale applies. As noted above, this scale is the same as that applicable generally within Western Trunk-Line Territory, but is considerably higher than the Central Territory scale. From certain producing points in Iowa, however—Fort Dodge and Centerville (and points grouped therewith) to Illinois and southern Wisconsin, the old 12,704 scale applies which is the basis within Eastern Territory including Illinois.

2. PLASTERBOARD

On plasterboard the rates to the South from Western Trunk-Line and Official Territories are specific rates constructed on the basis of 22.5 percent of the first-class rates resulting from the application of the K-2-Q-1 formula. From Southwestern Territory to the South they are on the basis of 20 percent of the first-class rates applying between the two territories. According to the Commission this adjustment gives the Western Trunk-Line, Southwestern, and Official Territory producers substantially the same level of rates into Southern Territory, and this level is also substantially the level prevailing within the South (218 I. C. C. 406, 411).

Summary.

The interterritorial rates to the South on plaster and plasterboard have been adjusted, in large measure, to place the various producing points in other rate territories on the same basis when shipping into the South. The interterritorial rates on these commodities sometimes equal or approximate the destination level; in other instances they approximate the origin level, and in some instances both. There is apparently no attempt, however, to blend the different levels in the construction of the interterritorial rates when origin and destination territory levels differ. It should be noted that on plaster, the Revised 12,704 scale, which is the basis applicable within Western Trunk-Line and Southwestern Territories, is used on most of the interterritorial movements.

M. PULPWOOD

There is very little interterritorial movement of pulpwood, and interterritorial rate structures have not therefore been of very great importance. The scale prescribed by the Commission in *West Virginia Pulp and Paper Co. v. Southern Railway Co.*, 96 I. C. C. 244 (1925), is in fact an interterritorial scale, since the origins were largely in Southern Territory as defined for class-rate purposes, and the destinations were in Official Territory, although the latter were in that part of Official Territory which takes the Southern basis of class rates from Southern points. The West Virginia scale is one of the highest pulpwood scales, as is shown in the table of interterritorial scales. (See p. 133 supra, table 90.)

The scales prescribed for application in Trunk-Line Territory in *West Virginia Pulp and Paper Co. v. Baltimore and Ohio Railroad Co.*, 104 I. C. C. 495 (1925), were interterritorial to some extent since the origin territory covered by that proceeding included points on the Southern and the Norfolk & Western Railways in Southern Territory. The destinations covered by the proceeding were in Trunk-Line Territory. To the extent the scales prescribed in that case were applied from origins in Southern Territory to Trunk-Line points the interterritorial rates and the Trunk-Line Territory rates were put on the same basis.

N. ROAD AGGREGATES OR ROAD-BUILDING MATERIALS

There is very little interterritorial movement of the lower grades of road-building materials. The higher-grade materials do move interterritorially and through rates have been provided thereon in some instances.

OFFICIAL—SOUTHERN

On sand, gravel, crushed stone, and slag no general basis of rates between Official and Southern Territories has been prescribed.

On asphaltic limestone the Southern prescribed scale was made to apply from the South to Official Territory in *Alabama Rock Asphalt v. Akron & Barberton Belt R. R. Co.*, 174 I. C. C. 343 (1931). Point-to-point commodity rates on the same basis have been voluntarily published to apply on asphaltic sandstone from certain Kentucky points to points in Official Territory.

On asphaltic limestone to which asphalt has been added, rates were prescribed from certain Alabama points to Official Territory in *Alabama Asphaltic Limestone Co. v. Akron & Barberton Belt R. R. Co.*, 194 I. C. C. 273 (1933). The basis prescribed was the same as prescribed within the South on crushed stone or slag mixed and coated with asphaltum and lime. Substantially the same basis has been voluntarily established, in the form of numerous point-to-point rates, on asphaltic sandstone to which asphalt has been added, from Kentucky points to points in Official Territory.

No scales or general levels of rates have been prescribed on bituminous rock from the South to Official Territory, although the carriers have voluntarily established numerous point-to-point commodity rates from certain Kentucky points on a lower level than the Southern level, which was also voluntarily established.

OFFICIAL—WESTERN TRUNK-LINE

The Commission prescribed two levels of rates on sand, and gravel and on crushed stone between small portions of these territories. The lower was prescribed for both single- and joint-line application on crushed stone from Iowa and Missouri to Illinois in *Dolese Bros. Co. v. Atchison, Topeka and Santa Fe Ry. Co.*, 89 I. C. C. 110 (1924); and *Missouri Gravel Co. v. Chicago, Burlington & Quincy R. R. Co.*, 132 I. C. C. 200 (1927), and was slightly higher than the Central Territory single-line scale. The higher level of rates was prescribed on sand and gravel from Illinois and Missouri to Iowa in *McGrath Sand and Gravel Co. v. Atchison, Topeka and Santa Fe Ry. Co.*, 165 I. C. C. 454 (1930), and in *Terry & Lewis Sand and Gravel Co. v. Chicago, Burlington and Quincy R. R. Co.*, 168 I. C. C. 623 (1930). The single-line scale prescribed in this case was approximately 104 percent of the Central Territory scale, but the joint-line scale was slightly lower than the Central Territory joint-line scale.

SOUTHERN—SOUTHWESTERN

There have been no through rates prescribed or published on sand, gravel, crushed stone, or slag between Southern and Southwestern Territories.

On asphaltic limestone from certain points in Alabama to the Southwest a scale of rates was prescribed in *Alabama Rock Asphalt, Inc. v. Abilene & Southern Ry. Co.*, 176 I. C. C. 555 (1931). This scale was the same as the Southwestern scale on asphalt rock and crushed stone partially coated.

The carriers have voluntarily published rates on asphalt rock and limestone to which asphalt or road oil had been added, from Oklahoma and Texas to Mississippi, on the same basis as voluntarily published on bituminous rock within the South. See *Asphalt Rock from Oklahoma and Texas to Mississippi*, 246 I. C. C. 219 (1941). This is the highest level on this description of road materials applying either intra- or inter-territorially, and approximates 118 percent of the level applying from Alabama and Kentucky to the Southwest.

On asphaltic limestone, to which asphalt has been added, and on gravel, crushed stone, slag, or sand, mixed with asphalt and lime, the carriers have voluntarily published from certain Alabama points to points in the Southwest the same scale as was prescribed within the Southwest on asphalt rock and stone, partially asphalt covered. A higher basis has been voluntarily published from Kentucky on bituminous rock, asphaltic sandstone, and asphaltic limestone, to which asphalt has been added.

WESTERN TRUNK-LINE—SOUTHERN

No joint through rates have been prescribed or published on sand, gravel, crushed stone, and slag, between Southern and Western Trunk-Line Territories.

No rates have been prescribed on asphaltic sandstone, asphaltic limestone, asphalt-coated stone, and bituminous rock, although the carriers have voluntarily published a considerable number of point-to-point commodity rates from producing points in Alabama and Kentucky to Western Trunk-Line Territory on a higher level than has been prescribed within any territory or interterritorially.

SUMMARY

Except for short distances, the interterritorial movement of road-building materials is confined to the higher grade materials. The destination-level basis is used in constructing the interterritorial rates in some instances when competitive road-building materials are also found in the destination territory.

O. SALT

Interterritorial rates on salt were prescribed in Docket 17000, *Rate Structure Investigation, Part 13, Salt*, 197 I. C. C. 115 (1933).

OFFICIAL—SOUTHERN

From Official Territory to Southern Territory the general basis prescribed by the Commission in Docket 17000, part 13, was 16 percent of first class on bulk salt, and 20 percent of first class on package salt. From Central Territory points, therefore, the salt rates are tied to the interterritorial K-2—Q-1 basis of constructing interterritorial class rates. From New York points to the South, however, where the class rates are based on key-point rates and not on the K-2—Q-1 formula, the Commission did not prescribe salt rates as percentages of the first-class rates, but as percentages of constructive first-class rates that would result from applying the K-2—Q-1 formula. Thus the

rates from Official Territory to the South were all placed on the same basis.

The 16-percent and 20-percent basis is the basis applied on salt within the South. The application of this basis to the interterritorial K-2—Q-1 first-class rates makes the interterritorial rates in general slightly lower than the basis applicable within the South, but higher than the level prevailing in Official Territory.

Since no salt is produced within Southern Territory no rates were prescribed from the South.

OFFICIAL—SOUTHWESTERN

From Central Freight Association and Illinois territories to the Southwest the Commission, in Docket 17000, part 13, prescribed 16 percent of the then-existing first-class rates on bulk salt, and 20 percent on package salt. These are the same percentages of first class as were prescribed within the Southwest, but since the interterritorial first-class rates were lower than the Southwestern level the resulting rates on salt are lower than apply within the Southwest. Although the first-class rates from Official to Southwestern Territory have been revised downward since the above basis was prescribed the salt rates are substantially the same as originally prescribed, plus subsequent general rate increases authorized in *Ex Parte 115* and *Ex Parte 123*.

From the Southwest to Central Freight Association and Illinois territories rates on bulk salt were prescribed on the basis of 17.5 percent of the Western Trunk-Line zone I scale of first-class rates, and on package salt, 22.5 percent of such first-class rates. These rates were on a lower basis than was prescribed for application within Southwestern Territory, and higher than were prescribed in Official Territory, and are on the same basis as was prescribed to the same destinations from Kansas producing points. Rates on a lower basis, however, have been published from Southwestern producing points to certain points in Official Territory. Thus from Louisiana to Chicago, the rate on bulk salt is 30 cents per hundred pounds, whereas the rate originally prescribed was 37 cents. Rates from Texas producing points have been equalized with those from Louisiana, to Chicago and other points.

OFFICIAL—WESTERN TRUNK-LINE

From points in Central and Illinois Territories to Western Trunk-Line Territory the Commission prescribed 17.5 percent of the then-existing first-class rates for application on bulk salt, and 22.5 percent on package salt. With few exceptions the above basis, subjected to general rate increases, has been maintained.

Although no rates have been prescribed from New York producing points to Western Trunk-Line Territory, the carriers have now voluntarily published rates on substantially the same basis as was prescribed from Central Territory to Western Trunk-Line Territory.

No rates have been prescribed from Western Trunk-Line Territory to Official Territory, except from producing points in Kansas to Central and Illinois territories. The basis applied in the latter instance was 17.5 percent of the original Western Trunk-Line zone I scale of first-class rates on bulk salt, and 22.5 percent on package salt. The prescribed basis has been generally maintained. These rates average

approximately 126 and 127 percent of the Official Territory level on bulk salt and package salt, respectively. The basis prescribed from Kansas to Central and Illinois Territories is the same as the basis prescribed to the same destinations from producing points in the Southwest.

SOUTHWESTERN—WESTERN TRUNK-LINE

In Docket 17000, Part 13, the Commission prescribed from the Southwest to Western Trunk-Line Territory, 17.5 percent of the then-existing interterritorial first-class rates on bulk salt, and 22.5 percent on package salt, except to destinations in zone I and extended zone C where the above percentages were applied to the zone I scale of first-class rates, subject to certain maxima.

SOUTHWESTERN—SOUTHERN

In prescribing salt rates from the Southwest to points in the South the Commission prescribed 16 percent of the first-class rates that would result from applying the Southern K-2 scale to the whole distance, plus distance arbitraries set forth in the report for the portion of the haul in Southwestern Territory. On package salt the basis prescribed was 20 percent of first class under the K-2 scale, plus arbitraries. The effect of making these rates a percent of constructive first-class rates based on the Southern K-2 scale was to put them on the same level as the rates from Western Trunk-Line Territory to the South. These rates are higher than the Southern level but lower than the level within Southwestern Territory. Arbitraries were authorized for the Florida Peninsula. Rates constructed on these bases, subjected to the general authorized increases are the rates now in effect.

WESTERN TRUNK-LINE—SOUTHERN

At the time of the decision in Docket 17000, Part 13, there were no joint through class rates from Western Trunk-Line Territory to points in the South. In prescribing rates on salt from Kansas producing points to the South the Commission made the rates in relation to constructive first-class rates based on the Southern K-2 scale plus arbitraries for the portion of the haul in Western Trunk-Line Territory. The rates on bulk salt were prescribed on the basis of 16 percent of first class, and on package salt 20 percent. This is the same basis as was prescribed from the Southwest and puts the rates from the two territories to the South on the same level. The rates are the same percent of first class as apply from Official Territory to the South but since the latter are based on the K-2—Q-1 scale the rates from Official Territory to the South are lower than the rates from Southwestern and Western Trunk-Line Territories.

WESTERN TRUNK-LINE—MOUNTAIN-PACIFIC

From points in Western Trunk-Line Territory to points in Mountain-Pacific Territory the Commission prescribed 20 percent of the Western Trunk-Line zone III first-class scale on bulk salt, and 25 percent on package salt, subject, however, to the rates found reasonable from Utah to zone III of Western Trunk-Line Territory as

maxima at intermediate points in Mountain-Pacific Territory, and except that the rates from the Kansas producing points to Cheyenne, Wyo., should not exceed the rates found reasonable from certain Utah points to Cheyenne. To points on narrow-gauge lines combination rates were prescribed.

SOUTHWESTERN—MOUNTAIN-PACIFIC

From Southwestern Territory to Mountain-Pacific Territory the Commission in Docket 17000, Part 13, prescribed the same basis as that from Western Trunk-Line to Mountain-Pacific Territory, namely, 20 percent of the Western Trunk-Line zone III first-class rates on bulk salt, and 25 percent on package salt.

SUMMARY

Interterritorial rates on salt are generally made a percent of existing or constructive first-class rates, and in most instances represent a blend of the origin and destination levels. The adjustments as prescribed by the Commission reflect the competition between salt-producing points in Official, Southwestern, and Western Trunk-Line Territories. Market competition, furthermore, has resulted in some departure from the prescribed bases to equalize with rates from other producing areas.

P. SCRAP IRON

Between Official and Southern Territories the carriers have established a class 11 or column 20 rating on scrap iron. This basis results in rates which are higher than the levels in either Official or Southern Territories.

From the Southwest to Western Trunk-Line Territory the same basis applies as within the Southwest, i. e., 15 percent, and 12.5 percent of first-class, with carload minima of 50,000 and 75,000 pounds, respectively. These percentages apply to the first-class rates originally prescribed in the *Consolidated Southwestern Cases*, not to the scale prescribed later in the twenty-first supplemental report.

From Western Trunk-Line to Eastern Territory the Western Trunk-Line basis applies, 15 percent and 12.5 percent of first class and results in interterritorial rates lower than the Official Territory level.

Q. SUGAR

The location of sugar refineries on the Atlantic, Gulf, and Pacific Coasts, and in the sugar-beet areas in the West, with many of the large consuming markets in the interior, has made competition between the refineries for interior markets very intense. This competition has affected the rates on sugar, particularly on interterritorial shipments. The general bases of interterritorial rates on sugar are described below.

OFFICIAL—SOUTHERN

As pointed out elsewhere, the general basis of rates on sugar is the same in Official and Southern Territories; namely, about 22 percent, on the average, of the Southern scale of first-class rates. The same

basis applies on traffic between the South and Official Territory. This basis was prescribed in *Sugar from Gulf Coast Ports to Northern Points*, 234 I. C. C. 247 (1939). Rates from New Orleans and other refinery points in Louisiana, and from Blakely and Mobile, Ala., Pensacola, Fla., and Gulfport, Miss., to Chicago and St. Louis, have been established to meet water competition on a basis which is lower than would result from the application of 22 percent of the Southern first-class rate for the same distance. In order to avoid violations of section 4 of the Interstate Commerce Act these reduced rates also apply to many points intermediate to Chicago or St. Louis.

WESTERN TRUNK-LINE—SOUTHERN

Rates on sugar have been prescribed from specific points in the States of Colorado, Nebraska, and Wyoming to points in Alabama, Kentucky, Mississippi, and Tennessee, on the basis of 30 percent of the first-class rates originally prescribed in *Consolidated Southwestern Cases*. This was done in *Alabama Grocery Co. v. Atchison, Topeka and Santa Fe Railway Co.*, 192 I. C. C. 159 (1933), 197 I. C. C. 726 (1933), 222 I. C. C. 123 (1937). A comparison of a considerable number of these rates with the level generally prevailing east of the Mississippi River shows them to average about 154 percent of the latter. These rates, however, have since been voluntarily reduced by the carriers by reducing intraterritorial rates to and from the Mississippi River crossings. This results in lower combination rates than the through rates originally prescribed by the Commission in the *Alabama Grocery case*, but higher than either the Western Trunk-Line or Southern intraterritorial level.

SOUTHWESTERN—OFFICIAL

From Southwestern Territory to Official Territory the sugar rates were prescribed on the basis of 30 percent of first class in *Consolidated Southwestern Cases*, 123 I. C. C. 203 (1927). From points in Louisiana west of the Mississippi River, in the immediate vicinity of New Orleans, to points in eastern Indiana, Ohio, and the southern peninsula of Michigan, the Commission has approved the same level as applies in Southern and Eastern Territories, *i. e.*, 22 percent of the Southern intraterritorial first-class rates for the same distance. This was done in *Sugar from Louisiana to Central Territory*, 246 I. C. C. 775 (1941).

WESTERN TRUNK-LINE—SOUTHWESTERN

Between Western Trunk-Line and Southwestern Territories rates were prescribed on the basis of 30 percent of first class in the *Consolidated Southwestern Cases, supra*. Since that time, however, the rates have been reduced to an average approximating that presently obtaining within the Southwest, which is about 22.5 percent of the first-class rates originally prescribed.

TRANSCONTINENTAL

The long distance from Pacific coast refining points to the principal sugar-consuming areas has resulted in transcontinental rates on sugar which are on a lower basis than found elsewhere in the United States.

Table 130 shows rates from Crockett, Calif., to Chicago and St. Louis, and compares them with the first-class rates and also with the Eastern and Southern basis of sugar rates.

The transcontinental adjustment has been based on Chicago, the largest interior market for sugar. The rates to Chicago are made in relation to those from New Orleans, with the rate from California points about 30 cents over the rates from New Orleans. Temporary fourth-section relief has been granted to enable the transcontinental lines to maintain a rate to Chicago which is related to the New Orleans-Chicago rate.

SUMMARY

The location of sugar refineries at points on the Atlantic, Gulf, and Pacific coasts, and in Western Trunk-Line Territory, has made competition keen for interior markets. This situation accounts for the uniformity of rate levels within and between Southern and Official Territories, and the prescription of rates from Louisiana producing points to certain destinations in Eastern Territory on the same basis. The competitive situation also accounts for lower rates voluntarily maintained on sugar from New Orleans and points grouped therewith and from the Pacific refining points to Chicago, St. Louis, and other points.

TABLE 130.—Rates on sugar, in carloads, from California to Chicago, Ill., and to St. Louis, Mo.

[Rates in cents per 100 pounds]

	From Crockett, Calif. ¹	
	To-Chicago, Ill. ²	To-St. Louis, Mo. ²
Distance (miles).....	\$ 2,174	\$ 2,046
First-class rate.....	4 561	4 545
Commodity rate:		
Minimum 60,000 pounds.....	5 74	5 74
Minimum 80,000 pounds.....	5 70	5 70
Relation of commodity rate to first class:		
Minimum 60,000 pounds..... percent.....	13.2	13.6
Minimum 80,000 pounds..... do.....	12.5	12.8
Rate on Eastern basis ³ : Minimum 60,000 pounds.....	82	80

¹ Rates from Crockett, Calif., also apply from other California shipping points.
² Rates to Chicago and St. Louis also apply to other points in Illinois Territory.
³ These distances are the average distances from Los Angeles, Sacramento, San Diego, and San Francisco.
⁴ Kipp's I. C. C. 1453.
⁵ Kipp's I. C. C. 1483.
⁶ 22 percent of Southern K-2 first-class rate, increased 10 percent and extended beyond 1,500 miles.

R. GENERAL OBSERVATIONS ON INTERTERRITORIAL COMMODITY-RATE STRUCTURES

The various interterritorial commodity-rate structures described above demonstrate the wide variations in the structures, and in the relation of the rates to intraterritorial levels.

Some interterritorial commodity rates are combination rates, made by combining the local rates to and from border points. When intraterritorial distance scales are used in the construction of combination rates, higher rates usually result than would be obtained by applying either intraterritorial scale for the whole distance. This result is due to the fact that under most distance scales the rates do not in-

crease in exact proportion to distance, and hence the rate for two shorter hauls will be considerably higher than either scale rate for the combined distance.

Sometimes interterritorial commodity rates are combinations of proportional rates¹⁰ which are lower than local rates. Even the use of such proportional rates, however, commonly results in higher mile-for-mile rates than would result from applying either intraterritorial scale for the whole distance.

When interterritorial commodity rates are through rates they may be constructed on varying bases. Sometimes they are tied to the interterritorial class rates by being made a certain percent of the interterritorial first-class rates. In some instances they are related to constructive first-class rates, instead of to actual first-class rates. In a few instances they are constructed on special scales, which apply only on the particular commodity, and which have interterritorial application. Sometimes they are constructed on the basis of the scale applicable in the lower-rated territory, plus arbitraries for distances in the higher-rated territory. Sometimes they are made either on a point-to-point or a group basis, with the rates not related on any consistent basis to intraterritorial levels.

The interterritorial commodity rates are often on the level of the rates applying either in the higher-rated or in the lower-rated territory. In some instances they are higher than the level prevailing in either territory. In other instances the interterritorial rates are a blend of the intraterritorial levels. This blending is sometimes attained by the use of a scale that is higher than the scale in the lower-rated territory, and lower than the scale in the higher-rated territory. Blending of two intraterritorial levels is sometimes brought about by the use of the scale applicable in the lower-rated territory, with arbitraries added for the portion of the haul in the higher-rated territory. Blending may also be attained by tying the interterritorial commodity rates to interterritorial first-class rates.

In some instances the interterritorial scale or basis of rates applies between the two territories, i. e., the rates are the same in both directions. In other cases, the levels are different in one direction than in the other. When the latter situation is found it is frequently due to the application of the destination-level basis, i. e., the rates from the higher-rated to the lower-rated territory will be on the level obtaining in the lower-rated territory, while from the lower-rated to the higher-rated territory the higher level will apply. This method of constructing interterritorial rates is in striking contrast to the construction of interterritorial rates on some basis that blends the two intraterritorial levels.

Interterritorial commodity rates, in many instances, are not constructed on a strictly distance basis, but reflect competitive adjustments of one sort or another. The equalization of rates on cotton piece goods from Boston, Atlanta, and Southwestern points, to Chicago; the rates on certain fertilizer materials from the Southwest and the far West; the rates on sugar from New Orleans and from the Pacific coast to Chicago, St. Louis, and other points; rates on lumber from the South, and Southwest, and the Pacific coast to various

¹⁰ Proportional rates are rates which are different from the local rates between the same points and which apply only on traffic coming from or destined to points beyond.

Eastern points; the rates on salt from competing producing areas are prominent examples which have been mentioned in preceding pages.

On many of the commodities studied the Commission has prescribed interterritorial rates between some or all of the principal rate territories. In some instances, however, rates lower than those prescribed have been voluntarily established by the carriers. The rates prescribed by the Commission on different commodities are constructed on many different bases, and with varying relationships to the intraterritorial rates in the origin and destination territories. In some instances they are tied to the interterritorial first-class rates and are therefore frequently subject to the same criticisms that have been made of the interterritorial class rates.

CHAPTER VIII

ECONOMIC EFFECTS OF DIFFERENCES IN RATE LEVELS AND OF THE STRUCTURE OF INTERTERRITORIAL FREIGHT RATES

A. STATEMENT OF THE PROBLEM

The existence of regional differences in class-rate levels, and the construction of interterritorial class rates on a basis which is generally a blending of the intraterritorial levels, creates difficulties for manufacturers and jobbers in the higher-rated territories. Regional differences in the levels of commodity rates, and the structure of many interterritorial commodity rates, sometimes create similar difficulties. On shipments into the lower-rated territories the producers located in a higher-rated territory often find that they are at a disadvantage in competing with manufacturers who enjoy a lower level of freight rates. Even if the market area of the producer in the higher-rated territory is not restricted by the higher rates, he may nevertheless be obliged to absorb all or part of the difference in rates in order to retain his market. Manufacturers in the higher-rated territory may also find that their costs of production are higher than those of competitors in low-rated areas to the extent that they draw raw materials from the lower-rated territory and must therefore pay the higher interterritorial freight rates thereon. Manufacturers in the higher-rated territory, therefore, may be faced with a cost-of-production disadvantage, resulting from high rates on certain raw materials drawn from other territories, as well as a freight-rate disadvantage when shipping into the lower-rated territory. Jobbers who purchase manufactured articles from a lower-rated territory face similar disadvantages when competing with jobbers in lower-rated areas.

Although these rate disadvantages may restrict the market areas of producers in the higher-rated territory they cannot be condemned if the differences in rate levels are justified by differences in transportation conditions. Producers in the higher-rated areas may not demand, as a matter of right, rates which will place them on a competitive equality with producers in the lower-rated territory when differences in transportation conditions warrant differences in rates. It should not be overlooked, furthermore, that producers may be willing to locate in the regions having higher rates in order to take advantage of other conditions which may make costs of production low, such as lower wages, low fuel or power costs, or nearness to raw materials. In such cases the higher rate levels may be easily borne by the producers in the higher-rated territory, although this fact does not warrant the maintenance of higher rates than are justified by differences in transportation conditions.

When differences in rate levels are not justified by differences in transportation conditions, however, the producers in the higher-

rated areas who are trying to compete with those in lower-rated areas have a valid complaint against the rate structure. They are entitled to relief even if there are other factors affecting their costs of production which are more favorable than those of their competitors in the lower-rated territory since rates should not be made to offset natural advantages of location.

The difficulties encountered by manufacturers and jobbers who find themselves handicapped by rate differences account for the heat which has been engendered by controversy over the interterritorial rates. The rate disadvantages to which producers in the higher-rated areas are frequently subject when they attempt to sell in the lower-rated areas may affect decisions regarding the location of industries, and in the case of industries already existing in the higher-rated areas, may restrict expansion and limit profits.

Some of the critics of the present rate structure attribute the concentration of industry in Eastern or Official Territory to the existing differences in rate levels and to the structure of interterritorial rates. They further explain the lack of industrial development in the South and West by the higher rate levels prevailing in those areas. To substantiate these claims statistics of population, income, value added by manufacture, and the like, are shown by territories, and these figures indicate, as will be shown presently, a marked concentration of population, income, and manufacturing in Official Territory. Such figures, however, do not prove that the situation disclosed has been brought about by differences in freight rates.

Defenders of the present rate structure, on the other hand, are prone to emphasize the more rapid growth of manufacturing in the South and in portions of the West in recent years¹ as proof that freight rates have nothing, or very little, to do with industrial development, and that industry in those areas has not been retarded by the existing freight-rate structure. This line of reasoning fails to recognize that the growth in industry may have occurred in spite of the rate disadvantages, and might have proceeded even more rapidly under a different level and structure of rates.

It is frequently contended, and with some truth, that regional differences in freight rates are the result, and not the cause, of differences in the economic activity in the different rate territories. This position has been strongly urged in statements filed with the Board by interested parties.

That railroads in any region should make freight rates favorable to industrial and other groups located in that area is to be expected. It results partially from the fact that the organized economic interests of an area make their needs known to the railroads, and can exert considerable pressure to obtain favorable freight-rate adjustments. The interest of the railroads in a given area, furthermore, is often best served by making such adjustments in freight rates as may be necessary to enable producers in that area to obtain as wide a distribution of their products as possible. The comparatively low rates on manufactured articles in Official Territory have been explained in terms of the interest of Northern railroads in fostering the industries which were already located in that area. Higher rates on manufactured articles in the South can be explained partly by the lack of manufacturing in that area; and the low rates in the South on many

¹ See appendix J, table IX.

raw materials and other products may be due, in part, to the interest of the South in these products. Southern and Western railroads claim that they are solicitous of the interests of producers in their territories, and that they make favorable rates, by classification exceptions or by commodity rates, to enable producers to sell their products in competition with producers in other areas. In this way, it is argued, the regional differences in economic activity are the cause of the differences in freight rates, instead of differences in freight rates being the cause of differences in economic activity. The truth of the matter is that the freight rates are both cause and effect. If they did not have the effect of aiding producers in the areas concerned it would not be necessary to grant favorable freight rates to them. The result of the situation described is that the rate structure tends to perpetuate the particular regional specialization which has existed in an area. Newer economic interests in an area must frequently make their way against rate handicaps growing out of the prevailing rate adjustments.

Before turning to a consideration of the importance of freight-rate differences in explaining the economic and industrial activity of a region, a general picture of the regional differences existing in the United States should be presented.

B. REGIONAL SPECIALIZATION IN THE UNITED STATES

Table 131 shows the distribution of population and income by freight-rate territories. In the construction of this table, and of others in this chapter, some inaccuracy results from the fact that the statistical data are published by States, and some States are split by rate territories. For the purpose of these tables, however, such States have been placed in the freight-rate territory which seemed most appropriate, i. e., generally in the territory in which the larger part of the State lies. It also seemed desirable to separate the Pacific Coast States from the rest of Mountain-Pacific Territory because of the differences in the economic characteristics of that area. The remainder of Mountain-Pacific Territory is referred to as Intermountain Territory. It also seemed advisable to place Montana and Wyoming in Intermountain Territory, although a large part of the former and practically all of the latter are in Western Trunk-Line Territory, as shown on the map of class-rate territories.² These areas, however, are mostly in zone IV of Western Trunk-Line Territory, which has a higher rate level than the rest of Western Trunk-Line Territory. The extension of the Western Trunk-Line basis of class rates to those areas, furthermore, is of comparatively recent origin.

The States which are split by boundaries of class-rate territories have been treated as follows:

Virginia—Official Territory
 Kentucky—Southern Territory
 Michigan—Official Territory
 Wisconsin—Western Trunk-Line Territory
 Missouri—Western Trunk-Line Territory

Louisiana—Southwestern Territory
 New Mexico—Southwestern Territory
 Colorado—Western Trunk-Line Territory
 Utah—Intermountain Territory
 Wyoming—Intermountain Territory
 Montana—Intermountain Territory

²P. 1.

TABLE 131.—Distribution, by States and freight-rate territories, of population and income for 1940¹

	Population		Income	
	Number	Percent of United States total	Amount (000,000 omitted)	Percent of United States total
United States.....	131, 669, 275	100.00	\$75, 512	100.00
Official Territory:				
Connecticut.....	1, 709, 242	1.30	1, 477	1.96
Maine.....	847, 226	.64	428	.57
Massachusetts.....	4, 316, 721	3.28	3, 271	4.33
New Hampshire.....	491, 524	.37	275	.36
Rhode Island.....	713, 346	.54	521	.69
Vermont.....	359, 231	.27	195	.26
Total, New England.....	8, 437, 290	6.41	6, 167	8.17
Delaware.....	266, 505	.20	224	.30
District of Columbia.....	663, 091	.50	845	1.12
Illinois.....	7, 897, 241	6.00	5, 462	7.23
Indiana.....	3, 427, 796	2.60	1, 890	2.50
Maryland.....	1, 821, 244	1.38	1, 208	1.60
Michigan.....	5, 256, 106	3.99	3, 466	4.59
New Jersey.....	4, 160, 165	3.16	3, 011	3.99
New York.....	13, 479, 142	10.24	11, 543	15.29
Ohio.....	6, 907, 612	5.25	4, 453	5.90
Pennsylvania.....	9, 900, 180	7.52	6, 185	8.19
Virginia.....	2, 677, 773	2.03	1, 135	1.50
West Virginia.....	1, 901, 974	1.44	764	1.01
Total, Official.....	66, 796, 119	50.73	46, 353	61.38
Southern:				
Alabama.....	2, 832, 961	2.15	748	.99
Florida.....	1, 897, 414	1.44	888	1.18
Georgia.....	3, 123, 723	2.37	1, 006	1.33
Kentucky.....	2, 845, 627	2.16	941	1.25
Mississippi.....	2, 183, 796	1.66	427	.57
North Carolina.....	3, 571, 623	2.71	1, 136	1.50
South Carolina.....	1, 899, 804	1.44	534	.71
Tennessee.....	2, 915, 841	2.21	949	1.26
Total, Southern.....	21, 270, 789	16.15	6, 629	8.78
Western Trunk-Line:				
Colorado.....	1, 123, 296	.85	621	.76
Iowa.....	2, 538, 268	1.93	1, 197	1.59
Kansas.....	1, 801, 028	1.37	753	1.00
Minnesota.....	2, 792, 300	2.12	1, 473	1.95
Missouri.....	3, 784, 664	2.87	1, 890	2.50
Nebraska.....	1, 315, 834	1.00	585	.77
North Dakota.....	641, 935	.49	247	.33
South Dakota.....	642, 961	.49	248	.33
Wyoming.....	250, 742	.19	162	.21
Wisconsin.....	3, 137, 587	2.38	1, 690	2.24
Total, Western Trunk-Line.....	18, 028, 615	13.69	8, 866	11.74
Southwestern:				
Arkansas.....	1, 949, 387	1.48	494	.65
New Mexico.....	531, 818	.40	190	.25
Oklahoma.....	2, 336, 434	1.77	828	1.10
Texas.....	6, 414, 824	4.87	2, 715	3.60
Louisiana.....	2, 363, 880	1.80	830	1.10
Total, Southwestern.....	13, 596, 343	10.33	5, 057	6.70
Intermountain:				
Arizona.....	499, 261	.38	240	.32
Idaho.....	524, 873	.40	248	.33
Montana.....	559, 456	.42	325	.43
Nevada.....	110, 247	.08	106	.14
Utah.....	550, 310	.42	268	.35
Total, Intermountain.....	2, 244, 147	1.70	1, 187	1.57
Pacific:				
California.....	6, 907, 387	5.25	5, 680	7.52
Oregon.....	1, 089, 684	.83	639	.85
Washington.....	1, 736, 191	1.32	1, 101	1.46
Total, Pacific.....	9, 733, 262	7.39	7, 420	9.83
Total, Western.....	43, 602, 367	33.12	22, 530	29.84

¹ U. S. Department of Commerce, Bureau of the Census, Sixteenth Census of the United States, 1940, and Frederick M. Cone, Income Payments by States, U. S. Department of Commerce, Survey of Current Business, August 1941, pp. 15-17.

It will be observed that Official Territory contains slightly over 50 percent of the population of the country, and has slightly over 61 percent of the income. The table also shows that the Pacific Coast States and Official Territory have a larger proportion of the total income of the country than of population, while the other territories show a smaller proportion of income than of population.

Table 132 shows the number of persons employed in various lines of economic activity in the United States by territories, and the percent of the United States total in each territory. The table shows that 69.36 percent of the persons employed in manufacturing in the United States, in 1940, were in Official Territory. Southern Territory ranked second, having 11.89 percent of the country's population which is employed in manufacturing. Western Trunk-Line Territory had 8.20 percent; the Pacific Coast States, 5.95 percent; Southwestern Territory, 4.05 percent; and Intermountain Territory, 0.54 percent. Of the total number of persons employed in agriculture, forestry, and fisheries in the United States, Southern Territory had 30.57 percent. It should not be overlooked, however, that other industry groups besides manufacturing are important in Official Territory. This is shown by the fact that Official Territory contained 54.19 percent of the population of the country which is employed in mining, and 23.35 percent of the population which is employed in agriculture, forestry, and fisheries.

Table 133 shows the proportion of the persons employed in each territory which are employed in the principal industry groups. The table brings out the relative importance of the various industry groups in the economy of each territory. In manufacturing, Official Territory ranks first with 31.09 percent of its employed persons engaged in manufacturing industries. The Pacific Coast States rank second, with 17.86 percent, and Southern ranks third with 17.77 percent of its employed persons in manufacturing industries. The proportions in the other territories so employed are Western Trunk-Line, 14.43 percent, Southwestern, 9.97 percent, and Intermountain, 8.33 percent. The primary interest of the South and West in agriculture and forestry is shown by the fact that 36.63 percent of the persons employed in the South were in agriculture, forestry, or fisheries. Southwestern Territory had 34.01 percent; Western Trunk-Line, 30.35 percent; Intermountain, 27.24 percent; and Pacific, 12.33 percent of their employed persons in this industry group. Only 8.39 percent of the employed in Official Territory, however, were in this group.

TABLE 132.—Number of persons employed and percent of United States total engaged in various kinds of economic activities, by freight-rate territories, 1940¹

	United States		Official		Southern		Western-Trunk Line	
	Number	Percent of United States total	Number	Percent of United States total	Number	Percent of United States total	Number	Percent of United States total
Employed (except on public emergency work).....	45,166,083	100.00	23,584,515	52.22	7,071,088	15.65	6,010,589	13.31
Agriculture, forestry, and fisheries.....	8,475,432	100.00	1,979,288	23.35	2,590,682	30.57	1,823,990	21.52
Mining.....	913,000	100.00	494,779	54.19	117,973	12.92	71,090	7.79
Manufacturing.....	10,572,842	100.00	7,333,825	69.36	1,257,233	11.89	867,056	8.20
Wholesale trade.....	1,206,761	100.00	598,572	49.60	133,744	11.08	194,316	16.10
Transportation, communication, and public utilities.....	3,113,353	100.00	1,770,409	56.87	322,900	10.37	422,211	13.56
Retail trade.....	6,332,007	100.00	3,511,631	55.46	705,230	11.14	842,069	13.20
Construction.....	2,056,274	100.00	1,082,305	52.63	286,134	13.92	243,766	11.85
Finance, insurance, and real estate.....	1,467,597	100.00	919,933	62.68	115,517	7.87	167,907	11.44
Business and repair services.....	864,254	100.00	469,558	54.33	86,686	10.03	124,095	14.36
Personal services.....	4,009,317	100.00	1,995,624	49.77	768,944	19.18	439,216	10.95
Amusement, recreation, etc.....	395,342	100.00	203,644	51.51	38,401	9.71	44,048	11.14
Professional and related services.....	3,317,581	100.00	1,839,350	55.44	371,183	11.19	479,155	14.44
Government.....	1,753,487	100.00	974,556	55.58	193,593	11.04	207,263	11.82
Industry not reported.....	688,836	100.00	411,041	59.67	82,868	12.03	84,407	12.25

	Southwestern		Intermountain		Pacific		Total Western	
	Number	Percent of United States total	Number	Percent of United States total	Number	Percent of United States total	Number	Percent of United States total
Employed (except on public emergency work).....	4,292,449	9.50	684,691	1.52	3,522,751	7.80	14,510,480	32.13
Agriculture, forestry, fisheries.....	1,460,271	17.23	186,546	2.20	434,655	5.13	3,905,462	46.08
Mining.....	125,613	13.76	49,431	5.41	54,114	5.93	300,248	32.89
Manufacturing.....	428,158	4.05	57,083	.54	629,487	5.95	1,981,784	18.74
Wholesale trade.....	116,738	9.67	20,339	1.69	143,052	11.85	474,445	39.31
Transportation, communication, and public utilities.....	258,378	8.30	57,348	1.84	282,107	9.06	1,020,044	32.76
Retail trade.....	576,638	9.11	98,135	1.55	598,304	9.45	2,115,146	33.41
Construction.....	198,123	9.64	35,950	1.75	209,996	10.21	687,835	33.46
Finance, insurance, and real estate.....	97,381	6.64	14,277	.97	152,582	10.40	432,147	29.45
Business and repair services.....	78,208	9.05	14,664	1.70	91,043	10.53	308,010	35.64
Personal services.....	444,073	11.08	47,408	1.18	314,052	7.83	1,244,749	31.05
Amusement, recreation, etc.....	31,750	8.03	7,196	1.82	70,303	17.78	153,297	38.78
Professional and related services.....	276,985	8.35	54,987	1.66	295,921	8.92	1,107,048	33.37
Government.....	146,365	8.35	31,298	1.78	200,412	11.43	585,338	33.38
Industry not reported.....	53,768	7.81	10,029	1.46	46,723	6.78	194,927	28.30

¹ U. S. Department of Commerce, Sixteenth Census of the United States: 1940, Population, Series P-10, No. 13, Employed Workers 14 Years Old and Over by Industry Group, for Regions, Divisions, and States: 1940, table 1, pp. 3-9.

TABLE 133.—Percentage distribution of employed workers, 14 years old and over (except those on public emergency work), by industry group, in the United States and in various freight-rate territories, 1940¹

	United States	Official	Southern	Western Trunk-Line	South-western	Inter-mountain	Pacific	Total, Western
Employed (except on public emergency work).....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Agriculture, forestry, and fisheries.....	18.77	8.39	36.63	30.85	34.01	27.24	12.33	26.91
Mining.....	2.02	2.00	1.68	1.18	2.92	7.21	1.53	2.07
Manufacturing.....	23.41	31.09	17.77	14.43	9.97	8.33	17.86	13.66
Wholesale trade.....	2.67	2.53	1.89	3.23	2.71	2.97	4.06	3.27
Transportation, communication, and other public utilities.....	6.89	7.50	4.56	7.02	6.01	8.37	8.00	7.03
Retail trade.....	14.02	14.88	9.97	14.01	13.43	14.33	16.98	14.58
Construction.....	4.55	4.58	4.04	4.06	4.61	5.25	5.96	4.74
Finance, insurance, and real estate.....	3.25	3.90	1.63	2.79	2.26	2.08	4.33	3.05
Business and repair services.....	1.91	1.99	1.22	2.07	1.82	2.14	2.58	2.12
Personal services.....	8.88	8.46	10.87	7.31	10.34	6.92	8.91	8.53
Amusement, recreation, and related services.....	.88	.86	.54	.73	.73	1.05	1.99	1.06
Professional and related services.....	7.35	7.79	3.24	7.97	6.45	8.03	8.40	7.63
Government.....	3.88	4.13	2.73	3.45	3.40	4.57	5.68	4.03
Industry not reported.....	1.53	1.74	1.17	1.40	1.25	1.46	1.32	1.27

¹ U. S. Department of Commerce, Sixteenth Census of the United States: 1940, Population, Series P-10, No. 13, Employed Workers 14 Years Old and Over by Industry Group, for Regions, Divisions, and States: 1940, table 1, pp. 3-9.

Table 134 shows the value added by manufacture by rate territories in 1939, and also the total number of persons employed in manufacturing establishments. This table furnishes further evidence of the concentration of manufacturing in Official Territory. An examination of the table shows that in 1939, 72.9 percent of the value added by manufacture for the country as a whole took place in Official Territory. The proportions of the other territories were as follows: Western Trunk-Line, 8.7 percent; Southern, 7.9 percent; Pacific, 6.5 percent; Southwestern, 3.4 percent; and Intermountain, 0.6 percent.

TABLE 134.—Value added by manufacture and total number of persons employed in manufacturing establishments by States and freight-rate territories, 1939¹

	Value added by manufacture, 1939		Total number of persons employed in manufacturing establishments	
	Amount	Percent of United States total	Number of persons	Percent of United States total
United States.....	\$24,682,916,000	100.00	9,622,923	100.00
Official Territory:				
Connecticut.....	692,187,000	2.8	282,009	2.9
Maine.....	152,423,000	.6	83,979	.9
Massachusetts.....	1,184,319,000	4.8	552,310	5.7
New Hampshire.....	105,188,000	.4	61,607	.6
Rhode Island.....	238,289,000	1.0	122,886	1.3
Vermont.....	51,941,000	.2	25,566	.3
Total, New England.....	2,423,347,000	9.8	1,128,416	11.7
Delaware.....	55,183,000	.2	24,028	.2
District of Columbia.....	44,317,000	.2	14,753	.2
Illinois.....	2,201,595,000	8.9	759,710	7.9

Footnote at end of table.

TABLE 134.—Value added by manufacture and total number of persons employed in manufacturing establishments by States and freight-rate territories, 1939¹—Contd.

	Value added by manufacture, 1939		Total number of persons employed in manufacturing establishments	
	Amount	Percent of United States total	Number of persons	Percent of United States total
Official Territory				
Indiana.....	970,212,000	3.9	340,563	3.5
Maryland.....	422,849,000	1.7	166,931	1.7
Michigan.....	1,793,404,000	7.3	621,173	6.5
New Jersey.....	1,524,114,000	6.2	533,475	5.5
New York.....	3,341,895,000	13.5	1,221,843	12.7
Ohio.....	2,125,474,000	8.6	735,277	7.6
Pennsylvania.....	2,489,129,000	10.1	1,021,636	10.6
Virginia.....	379,488,000	1.5	152,255	1.6
West Virginia.....	214,779,000	.9	88,423	.9
Total, Official.....	17,995,786,000	72.9	6,808,513	70.8
Southern:				
Alabama.....	247,384,000	1.0	130,492	1.4
Florida.....	118,016,000	.5	64,554	.7
Georgia.....	283,316,000	1.1	179,161	1.9
Kentucky.....	187,400,000	.8	76,887	.8
Mississippi.....	73,462,000	.3	52,593	.5
North Carolina.....	545,952,000	2.2	294,314	3.1
South Carolina.....	169,847,000	.7	136,713	1.4
Tennessee.....	320,342,000	1.3	153,166	1.6
Total, Southern.....	1,945,719,000	7.9	1,087,880	11.3
Western Trunk-Line:				
Colorado.....	91,256,000	.4	32,690	.3
Iowa.....	244,795,000	1.0	88,789	.9
Kansas.....	118,952,000	.5	43,498	.5
Minnesota.....	310,628,000	1.3	104,445	1.1
Missouri.....	587,962,000	2.4	223,467	2.3
Nebraska.....	69,087,000	.3	26,739	.3
North Dakota.....	11,102,000	.04	4,125	.04
South Dakota.....	19,955,000	.1	7,485	.1
Wyoming.....	15,829,000	.1	4,591	.05
Wisconsin.....	686,605,000	2.8	254,625	2.6
Total, Western Trunk-Line.....	2,155,971,000	8.7	790,454	8.2
Southwestern:				
Arkansas.....	67,390,000	.3	41,857	.4
New Mexico.....	8,712,000	.03	4,147	.04
Oklahoma.....	103,118,000	.4	38,227	.4
Texas.....	453,105,000	1.8	166,438	1.7
Louisiana.....	200,086,000	.8	88,723	.9
Total, Southwestern.....	832,411,000	3.4	339,392	3.5
Intermountain:				
Arizona.....	32,041,000	.1	8,255	.1
Idaho.....	31,770,000	.1	12,936	.1
Montana.....	39,790,000	.1	12,440	.1
Nevada.....	11,723,000	.05	1,558	.02
Utah.....	43,720,000	.2	15,656	.2
Total, Intermountain.....	159,049,000	.6	50,845	.5
Pacific:				
California.....	1,135,158,000	4.6	362,609	3.8
Oregon.....	172,175,000	.7	74,396	.8
Washington.....	286,647,000	1.2	108,834	1.1
Total Pacific.....	1,593,980,000	6.5	545,839	5.7
Total Western.....	4,741,411,000	19.2	1,726,530	17.9

¹U. S. Department of Commerce, Bureau of the Census, Sixteenth Census of the United States, 1940—Census of Manufactures, 1939—General Statistics in Detail by Geographic Divisions and by States, 1939.

The dominance of Official Territory in manufacturing is also shown by the fact that, in 1939, 57 percent of the carload traffic in the manufactures and miscellaneous group in the United States originated in

Official Territory. The proportions originated in Eastern, Southern, and Western Districts are shown in table 135.

TABLE 135.—*Carload traffic in manufactures and miscellaneous group originated in Eastern, Southern, and Western Districts, 1939*¹

	Tons originated	Percent of total
Eastern District.....	132,948,356	57.04
Southern District.....	30,936,397	13.27
Western District.....	69,201,434	29.69
Total.....	233,086,187	100.00

¹ I. C. C., Statistics of Railways.

Regional specialization in the United States is shown by certain facts revealed by the survey made by the Office of Defense Transportation of carload traffic which moved on May 27, and September 23, 1942. Data obtained from this survey were analyzed by Dr. Beatrice Aitchison of the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission and introduced as an exhibit in Docket No. 28300, *Class Rate Investigation*.²

Of the carloads of "manufactures and miscellaneous" terminated in Official Territory 80.82 percent originated in that territory, 5.99 percent originated in the South, 5.03 percent in Western Trunk-Line Territory, 6.55 percent in Southwestern Territory, and 1.61 percent in Mountain-Pacific Territory. Of the carloads of manufactures and miscellaneous terminating in Southern Territory, 49.88 percent originated in the South, but 36.89 percent originated in Official Territory. Only 13.24 percent of the carloads of manufactures and miscellaneous terminating in the South originated in territories other than Southern or Official.

Western Trunk-Line, Southwestern, and Mountain-Pacific Territories drew substantial proportions of the manufactures and miscellaneous terminated in those areas from Official Territory, namely: Western Trunk-Line Territory, 35.20 percent; Southwestern, 21.75 percent; and Mountain-Pacific Territory, 33.82 percent.

Although Official Territory derived 83.89 percent of the terminated carloads of products of mines from her own territory, a considerable proportion of the products of agriculture and products of forests terminating in Official Territory came from the South or West. Of the forest products terminated in Official Territory only 34.30 percent originated in that territory; 37.72 percent came from Southern Territory; 8.99 percent from Western Trunk-Line, 4.90 percent from Southwestern, and 14.09 percent from Mountain-Pacific Territories, respectively.

Of the products of agriculture terminated in Official Territory, 50.69 percent originated there, but 12.56 percent came from Southern Territory; 20.53 percent from Western Trunk-Line Territory, 2.41 percent from Southwestern Territory, and 13.80 percent from Mountain-Pacific Territory.

² Exhibit No. 194, entitled "Territorial Movement of Carload Freight on May 27, and September 23, 1942."

The data showing origin of traffic terminating in each rate territory, by Interstate Commerce Commission commodity groups, are shown in table 136.

The territorial destinations of carload traffic originating in each rate territory, based on the May 27 and September 23 (1942) sample show the extent to which the products of each territory move to other territories. Table 137 shows this information:

The table shows that a considerable proportion of the traffic in the manufactures and miscellaneous group which originates in each territory moves into other territories. Of the manufactures and miscellaneous originating in Official Territory 23.14 percent moved to other territories. An even larger percent of the manufactures and miscellaneous which originated in the other territories moved inter-territorially. The proportions for the other territories were as follows: Southern, 44.79 percent; Western Trunk-Line, 52.93 percent; Southwestern, 64.53 percent; and Mountain-Pacific, 23.98 percent.

Official Territory is not only the principal manufacturing area of the United States but is also the largest market for manufactured articles. This is shown by the fact that Official Territory took 30.85 percent of the manufactures and miscellaneous traffic which originated in the South, 30.42 percent of that originating in Western Trunk-Line Territory, 38.83 percent of that originating in Southwestern Territory, and 12.02 percent of that which originated in Mountain-Pacific Territory.

TABLE 136.—Origin of carload traffic terminating in each territory, by major commodity groups, May 27 and Sept. 23, 1942¹

	Total terminating		Origin territory									
			Official		Southern		Western Trunk-Line		Southwestern		Mountain-Pacific	
	Cars	Percent	Cars	Percent	Cars	Percent	Cars	Percent	Cars	Percent	Cars	Percent
TERMINATING IN OFFICIAL TERRITORY												
Products of agriculture.....	10,794	100	5,472	50.69	1,356	12.56	2,216	20.53	260	2.41	1,490	13.80
Animals and products.....	5,674	100	2,765	48.73	283	4.99	2,157	38.01	212	3.74	257	4.53
Products of mines.....	69,969	100	58,701	83.89	8,564	12.67	656	.94	1,584	2.26	164	.23
Products of forests.....	6,119	100	2,099	34.30	2,308	37.72	850	8.99	300	4.90	862	14.09
Manufactures and miscellaneous.....	53,051	100	42,877	80.82	3,178	5.99	2,667	5.03	3,477	6.55	552	1.61
Total.....	145,607	100	111,914	76.88	15,969	10.98	8,246	5.66	5,833	4.01	3,625	2.49
TERMINATING IN SOUTHERN TERRITORY												
Products of agriculture.....	3,839	100	735	20.45	1,941	50.56	427	11.12	502	13.08	184	4.79
Animals and products.....	695	100	166	23.88	193	27.63	260	37.41	72	10.36	5	.72
Products of mines.....	13,876	100	1,743	13.64	10,783	83.74	39	.30	309	2.40	3	.02
Products of forests.....	5,256	100	108	2.05	4,909	93.40	32	.61	138	2.63	69	1.31
Manufactures and miscellaneous.....	11,402	100	4,206	36.89	5,687	49.88	409	3.59	928	8.14	172	1.51
Total.....	34,068	100	7,008	20.57	23,512	69.01	1,167	3.43	1,849	5.72	432	1.27
TERMINATING IN WESTERN TRUNK-LINE TERRITORY												
Products of agriculture.....	5,900	100	287	4.86	60	1.02	4,516	76.54	242	4.10	795	13.47
Animals and products.....	2,071	100	70	3.38	16	.77	1,305	63.01	298	14.39	382	18.45
Products of mines.....	26,565	100	2,431	9.15	331	1.25	21,950	82.63	1,009	3.80	644	2.43
Products of forests.....	2,327	100	67	2.88	212	9.11	1,091	46.88	222	9.54	735	31.69
Manufactures and miscellaneous.....	9,069	100	3,192	35.20	263	2.90	4,127	45.51	1,082	11.98	455	5.01
Total.....	45,932	100	6,047	13.17	882	1.92	32,969	71.82	2,803	6.10	3,211	6.99
TERMINATING IN SOUTHWESTERN TERRITORY												
Products of agriculture.....	2,204	100	57	2.59	77	3.49	387	17.56	1,441	65.38	242	10.98
Animals and products.....	588	100	18	3.07	6	1.02	90	15.36	403	68.77	69	11.77
Products of mines.....	4,402	100	61	1.38	143	3.25	161	3.66	3,975	90.30	62	1.41

Products of forests.....	2,383	100	8	.34	203	8.52	20	.84	1,990	83.51	162	6.80
Manufactures and miscellaneous.....	6,280	100	1,366	21.75	707	11.28	869	13.84	3,176	50.57	162	2.58
Total.....	15,855	100	1,510	9.52	1,136	7.16	1,527	9.63	10,985	69.28	697	-4.40
TERMINATING IN MOUNTAIN-PACIFIC TERRITORY												
Products of agriculture.....	2,287	100	85	3.72	24	1.05	145	6.34	41	1.79	1,992	87.10
Animals and products.....	937	100	97	10.35	22	.38	162	17.29	91	9.71	587	62.65
Products of mines.....	5,735	100	31	.54	26	.50	114	1.99	82	1.43	5,486	95.66
Products of forests.....	5,235	100	7	.13	440	4.29	9	.17	48	.82	5,145	98.28
Manufactures and miscellaneous.....	10,263	100	3,471	33.82			647	6.30	316	3.08	5,389	52.51
Total.....	24,457	100	3,691	15.09	512	2.09	1,077	4.40	578	2.36	18,599	76.05

¹ Computed from Beatrice Aitchison, Territorial Movement of Carload Freight on May 27 and September 23, 1942. Exhibit No. 194 in I. C. C. Docket No. 28300, *Class Rate Investigation*.

TABLE 137.—Destination of carload traffic originating in each territory, by major commodity groups, May 27 and Sept. 23, 1942

	Total originating		Destination territory											
	Cars	Percent	Official		Southern		Western Trunk-Line		Southwestern		Mountain-Pacific		Canada and Mexico	
			Cars	Percent	Cars	Percent	Cars	Percent	Cars	Percent	Cars	Percent	Cars	Percent
ORIGINATING IN OFFICIAL TERRITORY														
Products of agriculture.....	6,730	100	5,473	81.43	785	11.68	287	4.27	57	0.85	85	1.26	34	0.51
Animals and products.....	3,135	100	2,765	88.20	166	5.30	70	2.23	18	.57	97	3.06	19	.61
Products of mines.....	64,174	100	58,701	91.47	1,743	2.72	2,431	3.79	61	.10	31	.05	1,207	1.88
Products of forests.....	2,311	100	2,099	90.83	108	4.67	67	2.90	8	.35	7	.30	22	.95
Manufactures and miscellaneous.....	55,789	100	42,877	76.86	4,206	7.54	3,193	5.72	1,266	2.45	3,471	6.22	677	1.21
Total.....	132,129	100	111,914	84.70	7,008	5.30	6,047	4.58	1,510	1.14	3,691	2.79	1,950	1.48
ORIGINATING IN SOUTHERN TERRITORY														
Products of agriculture.....	3,507	100	1,356	38.67	1,941	55.35	60	1.71	77	2.20	24	.68	49	1.40
Animals and products.....	497	100	283	56.94	192	38.63	16	3.22	6	1.21				
Products of mines.....	20,187	100	8,864	43.91	10,783	53.43	331	1.64	143	.71	22	.11	44	.23
Products of forests.....	7,669	100	2,308	30.10	4,909	64.01	212	2.76	203	2.65	26	.34	11	.14
Manufactures and miscellaneous.....	10,301	100	3,178	30.85	5,687	55.21	263	2.55	707	6.86	440	4.27	26	.25
Total.....	42,161	100	15,969	37.92	23,512	55.77	682	2.09	1,136	2.69	512	1.21	130	.31
ORIGINATING IN WESTERN TRUNK-LINE TERRITORY														
Products of agriculture.....	7,694	100	2,216	28.80	427	5.55	4,516	58.70	387	5.03	145	1.88	3	.04
Animals and products.....	3,974	100	2,157	54.28	260	6.54	1,305	32.84	90	2.26	162	4.08		
Products of mines.....	22,970	100	656	2.86	39	.17	21,950	95.56	161	.70	114	.50	50	.23
Products of forests.....	1,704	100	550	32.28	32	1.88	1,091	64.03	29	1.17	9	.53	2	.12
Manufactures and miscellaneous.....	8,767	100	2,667	30.42	409	4.67	4,127	47.07	669	7.91	647	7.38	48	.55
Total.....	45,109	100	8,246	18.28	1,167	2.59	32,969	73.13	1,527	3.39	1,077	2.39	103	.23
ORIGINATING IN SOUTHWESTERN TERRITORY														
Products of agriculture.....	2,601	100	260	10.00	503	19.30	242	9.30	1,441	55.40	41	1.58	115	4.43
Animals and products.....	1,076	100	212	19.70	72	6.69	298	27.70	403	37.45	91	8.46		
Products of mines.....	7,008	100	1,584	22.60	309	4.41	1,009	14.40	3,975	56.72	82	1.17	49	.70

Products of forests.....	2,702	100	300	11.10	138	5.11	222	8.22	1,900	73.65	48	1.78	4	.15
Manufactures and miscellaneous.....	8,954	100	3,477	38.83	928	10.36	1,032	11.53	3,176	35.47	316	3.53	25	.23
Total.....	22,341	100	5,833	26.11	1,949	8.72	2,803	12.55	10,985	49.17	578	2.69	193	.86
ORIGINATING IN MOUNTAIN-PACIFIC TERRITORY														
Products of agriculture.....	4,900	100	1,490	30.41	184	3.76	795	16.22	242	4.94	1,992	40.65	197	4.02
Animals and products.....	1,300	100	257	19.77	5	.38	382	29.38	69	5.31	587	45.15		
Products of mines.....	6,582	100	164	2.49	2	.03	844	12.82	62	.94	5,486	83.35	24	.36
Products of forests.....	6,987	100	862	12.34	69	.99	735	10.52	162	2.32	5,145	73.64	14	.20
Manufactures and miscellaneous.....	7,089	100	852	12.02	172	2.43	455	6.42	162	2.28	5,339	76.02	59	.83
Total.....	26,858	100	3,625	13.50	432	1.61	3,211	11.95	697	2.60	18,599	69.25	294	1.09

¹ Computed from Beatrice Aitchison, Territorial Movement of Carload Freight on May 27 and September 23, 1942. Exhibit No. 194 in I. C. C. Docket No. 28300, *Class Rate Investigation*.

In chapter I it was shown that the Office of Defense Transportation traffic survey revealed that 42 percent of the interterritorial carload traffic consisted of articles in the manufactures and miscellaneous group.⁴ Table 138 shows the composition of the interterritorial movement between the several rate territories. This table reveals very clearly the nature of the various interterritorial movements of carload traffic. It shows that 60.02 percent of the carload traffic moving from Official Territory to Southern Territory consisted of manufactures and miscellaneous. Likewise it shows that 52.79 percent of the traffic from Official to Western Trunk-Line Territory, 90.46 percent from Official to Southwestern Territory, and 94.04 percent from Official to Mountain-Pacific Territory consisted of manufactures and miscellaneous. From the South to Official Territory, products of mines ranked first, constituting 55.44 percent of the total carloads, while manufactures and miscellaneous ranked second, constituting 19.88 percent of the traffic. From Western Trunk-Line Territory to Official Territory 32.34 percent of the traffic consisted of manufactures and miscellaneous; products of agriculture and animals and animal products, constituted 26.87 percent, and 26.16 percent, respectively, of the total movement. From Southwestern to Official Territory, 59.61 percent of the traffic consisted of manufactures and miscellaneous. From Mountain-Pacific Territory to Official Territory 41.10 percent of the traffic consisted of products of agriculture, 23.78 percent of forest products, and 23.50 percent of manufactures and miscellaneous. The table shows that a surprisingly large proportion of the movement between any two of the territories consists of manufactures and miscellaneous.

Certain limitations to the data derived from the Office of Defense Transportation traffic survey should be kept in mind. In the first place the figures are based on the traffic terminated on only 2 days; namely, May 27 and September 23, 1942. They are also affected by war conditions, and may therefore show traffic movement somewhat different from that of a peacetime economy. It should also be kept in mind that the commodity classification used does not put all manufactured articles in the group denominated "manufactures and miscellaneous." There are manufactured products in the other groups as well. Lastly, it should be noted that the territorial boundaries used in the traffic survey do not correspond in all respects to those shown by our map of class-rate territories. The Board is making an analysis of a 12-day sample of carload traffic moving in 1939 which should provide more complete information concerning the nature of the traffic moving interterritorially under peacetime conditions.

It is the concentration of population, income, and manufacturing in Official Territory, as shown above, that some critics of the present rate structure attribute to the more favorable freight rates found in that area. As noted elsewhere, however, a cause-and-effect relationship between the rate levels and industrial development is not established by merely showing that both low class rates and a high degree of industrialization characterize Official Territory. The extent to which the concentration of industry in Eastern Territory, and the comparatively small amount of manufacturing in the other territories, is attributable to differences in freight-rate levels is a question which cannot be answered except in terms of a broad judgment.

⁴ See p. 5, *supra*.

TABLE 138.—Composition of interterritorial carload traffic moving between the several rate territories, May 27 and Sept. 23, 1942, by commodity groups ¹

	Products of agriculture	Animals and products	Products of mines	Products of forests	Manufactures and miscellaneous	Total
	Percent	Percent	Percent	Percent	Percent	Percent
Official to Southern.....	11.20	2.37	24.87	1.54	60.02	100
Southern to Official.....	8.48	1.77	55.44	14.43	19.88	100
Official to Western Trunk-Line.....	4.75	1.16	40.20	1.11	52.79	100
Western Trunk-Line to Official.....	26.87	26.16	7.96	6.67	32.34	100
Official to Southwestern.....	3.77	1.19	4.04	.53	90.46	100
Southwestern to Official.....	4.46	3.63	27.16	5.14	59.61	100
Official to Mountain-Pacific.....	2.30	2.63	.84	.19	94.04	100
Mountain-Pacific to Official.....	41.10	7.09	4.52	23.78	23.50	100
Southern to Western Trunk-Line.....	6.80	1.81	37.53	24.04	29.82	100
Western Trunk-Line to Southern.....	36.59	22.28	3.34	2.74	35.05	100
Southern to Southwestern.....	6.78	.53	12.59	17.87	62.24	100
Southwestern to Southern.....	25.76	3.69	15.85	7.08	47.61	100
Southern to Mountain-Pacific.....	4.69	-----	4.30	5.08	85.94	100
Mountain-Pacific to Southern.....	42.59	1.16	.46	15.97	39.81	100
Western Trunk-Line to Southwestern.....	25.34	5.89	10.54	1.31	56.91	100
Southwestern to Western Trunk-Line.....	8.63	10.63	36.00	7.92	36.82	100
Western Trunk-Line to Mountain-Pacific.....	13.46	15.04	10.58	.84	60.07	100
Mountain-Pacific to Western Trunk-Line.....	24.76	11.90	26.28	22.89	14.17	100
Southwestern to Mountain-Pacific.....	7.09	15.74	14.19	8.30	54.67	100
Mountain-Pacific to Southwestern.....	34.72	9.90	8.90	23.24	23.24	100
Total.....	14.25	6.70	28.37	8.70	41.99	100

¹ Data from Exhibit 194, I.C.C. Docket 28300.

In attempting to make some appraisal of the importance of freight rates in explaining present differences in industrial development in various parts of the country, or to predict the probable consequences of equalization of rate levels, two lines of approach are helpful. One is to consider the question historically, i. e., to see what historical explanation of present differences in industrial development is offered by those who have studied the history of the economic and industrial development of the country. The other approach is through a study of the importance of freight rates, along with other factors, which affect the location of various types of industrial activity.

C. HISTORICAL BACKGROUND OF EXISTING REGIONAL SPECIALIZATION ⁵

Although the factors explaining the differences in industrial activity in different parts of the United States are numerous and complex, it is clear that some of them have their roots in the early history of the different regions.

New England and the Middle Atlantic States were the first parts of the country to feel the effects of the industrial revolution and the beginnings of modern industrial development. The early establish-

⁵ This section of the chapter is based largely on the following sources: Chester Wright, *Economic History of the United States* (New York, McGraw-Hill, 1941), pp. 97, 383 ff; Fred A. Shannon, *America's Economic Growth* (New York, Macmillan, 1940), pp. 303-306; Harold U. Faulkner, *American Economic History* (New York, Harpers, 1938), pp. 490 ff; Edward D. Durand, *American Industry and Commerce* (New York, Ginn, 1930), pp. 492 ff; Ellen Churchill Semple and C. F. Jones, *American History and its Geographic Conditions* (New York, Houghton, Mifflin, 1933), ch. 16; Harold H. McCarty, *The Geographic Basis of American Economic Life* (New York, Harpers, 1940), pp. 501 ff; Erich W. Zimmerman, *World Resources and Industries* (New York, Harpers, 1933), pp. 614-23; Frederick S. Hall, *The Localization of Industries*, Twelfth Census, Manufacturing, VII, pt. 1, (Washington, 1902), pp. cxc ff; Joseph D. Lewis, *The Localization of Industry, Census of Manufactures, 1905*, pt. 1, p. cccxviii ff; Malcolm Keir, *Industries of America: Manufacturing* (New York, Ronald, 1928); E. B. Alderfer and H. E. Michl, *Economics of American Industry* (New York, McGraw-Hill, 1942); Melvin T. Copeland, *The Cotton Manufacturing Industry of the United States* (Cambridge, Harvard University Press, 1923), ch. 3; Richard Hartshorne, *Location Factors in the Iron and Steel Industry*, *Economic Geography*, 1928; National Industrial Conference Board, *A Graphic Analysis of the Census of Manufactures of the United States, 1849-1919* (New York, National Industrial Conference Board, 1923); Glenn McLaughlin, *Growth of American Manufacturing Areas* (Pittsburgh, University of Pittsburgh, 1938); Victor Clark, in *The South in the Building of the Nation*, (New York, Wiley, 1933), vol. VI, pp. 301 ff.

ment of manufacturing in this area was facilitated by the abundance of water power, which was the principal source of power for early manufactures. The development of manufacturing in this region was also natural because it was the most thickly populated part of the country, and therefore the principal market for the goods produced. Labor was more plentiful in this area than in the South and West, and the native labor supply was augmented by immigration from Europe. The very fact that most of New England and the Middle Atlantic States was unsuited to profitable agriculture, particularly after the richer and more level lands west of the Appalachian Mountains were made accessible, was a factor contributing to specialization of the East in manufacturing. The existence of accumulated capital in the East was another factor in explaining the growth of manufacturing in this area.

The fact that manufacturing developed first in New England and the Middle Atlantic States gave the area an advantage over other parts of the country. Once an important industry becomes established in a particular area, conditions are created which tend to continue it as a center of industry even after the original forces which caused its location there have ceased to operate. Among these conditions are the development of a labor supply possessed of the special skills required by the industry; the development of various servicing and subsidiary industries upon which the principal industry depends; the establishment of a market organization through which raw materials are purchased, or finished products sold; and even the advantage derived from public recognition of the area as the center of the industry.

Important also in the industrialization of the Middle Atlantic States was the early establishment of improved transportation facilities which encouraged trade between the East and the newer regions of the West. These transportation facilities, furthermore, were important in the spread of manufacturing into the area west of the Appalachians and north of the Ohio River.

Mention should also be made of the fact that much regional industrial development is built around a nucleus of some key industry. To be the basis of such industrial development, the industry must generally be one which is important nationally. The locality in which such an industry develops becomes a population center, and hence a market for the products of other industries. It also becomes a natural location for industries which make use of the products or byproducts of the principal industry, and also for industries which provide the basic industry with machinery, supplies, and various products used in the manufacturing process. Much industrial development has been built around the iron and steel industry, which early established itself in Official Territory. The automobile industry is a more recent example of an important industry which became established in Eastern Territory, and which has become the basis for the development of a local industrial area.

In the future there will doubtless be new industries which, for one reason or another, will find their natural location at some point in the South, West, or East, and which will become the basis for the development of new industrial centers. It happens that in the past, many of such industries have developed in Eastern Territory, but there has usually been some more fundamental reason for their location in

Eastern Territory than a lower basis of class rates, although the latter has undoubtedly constituted an additional advantage and may have influenced decisions regarding location in particular instances.

Although manufacturing developed first in the East, it should be recognized that the geographical center of manufacturing has steadily moved westward, lagging behind the westward movement of the center of population. In 1850 the geographical center of manufacturing was near Millintown, in central Pennsylvania; in 1920 it was in Urbana, Ohio, which is in the western part of the State.⁶

Slower development of manufacturing in the West is to be explained partly by the fact that new countries and new areas develop the extractive industries first. Lack of capital, lack of an abundance of labor, and lack of a sufficiently large population to provide a market for manufactured products, delay the growth of manufacturing until these conditions are gradually overcome.

The failure of manufacturing to develop as early in the South as in New England and the Middle Atlantic States is to be explained in part by the absence of some of the favorable conditions which facilitated its development in the latter region. Certain special circumstances, however, which have characterized the early development of the South, have probably been even more important in explaining its slower industrial growth. In the colonial period the South developed an agricultural economy based on the production of tobacco, rice, and indigo, and on the use of slave labor. With the invention of the cotton gin in the United States, and of the power loom in England, a stimulus was given to the production of cotton—a product for which the South was especially well adapted. The profitableness of cotton production in this period naturally caused the South to devote its capital and entrepreneurial ability to the production of this crop. This agricultural specialization, and dependence on outside sources for manufactured articles, was good economy at the time since the resources of the South were devoted to the production of things which yielded the greatest return. Under the circumstances it is not strange that manufacturing did not develop as rapidly as in the North.

The dominance of manufacturing in Eastern Territory, and its slower development in the South and West, has had its origin primarily in circumstances and conditions other than the lower freight rates on manufactured goods in Official Territory. As suggested previously, the lower freight rates in Official Territory on manufactured products have been the result, in part, of the specialization of that area in manufacturing; and the low rates on certain other commodities in the West and South have been due, in part, to efforts of Southern and Western interests to obtain favorable rates on commodities which they have produced. It is probable, however, that the resulting differences in rates have tended to perpetuate the regional specialization which had grown up, and that they have tended to retard a change in the economy of the different sections of the country.

D. FREIGHT RATES AS A FACTOR IN THE LOCATION OF ECONOMIC ACTIVITY

In considering the importance of freight rates as a locational factor it should be recognized that there are many forms of business activity which are not affected by freight rates at all, or only indirectly, in

⁶ Fourteenth Census of the United States, 1920, vol. VIII, Manufactures, p. 8.

that they follow population, wealth, or some particular form of industrial activity which, in turn, may be affected by freight rates.

The lines of activity as classified by the United States census which seem to be in this category are as follows: Transportation, communication, and other public utilities; retail trade; construction; finance, insurance, and real estate; business and repair service; personal service; amusement, recreation, and related services; professional and related services; and government. The persons employed in these forms of activity comprised nearly 52 percent of the persons employed in the United States, in 1940.⁷ These industry groups are affected by freight rates only in the sense that freight rates may affect the industrial or other economic activity of a particular area, and hence the size of the population which the area will support, and its income.

Extractive industries, like mining, agriculture, and lumbering, can be carried on only where the resources to be exploited exist. Freight rates are frequently very important, however, in determining the extent to which such resources can be exploited. It is characteristic of these industries to seek as low freight rates on their products as possible in order to attain as wide markets as possible. These low rates frequently create a situation favorable for shipping the products to distant markets rather than for processing them near the sources of supply.

The location of manufacturing industries, unlike that of extractive industries, is not largely predetermined by Nature. There is a choice of locations, and freight rates as well as other factors can affect this choice. However, the importance of freight rates on the location of manufacturing industries varies greatly from industry to industry.

1. WHY SOME INDUSTRIES TEND TO BE LOCATED NEAR SOURCES OF RAW MATERIALS

Many manufacturing industries tend to be located near the sources of their raw materials. This tendency may be due to one or a number of factors, the more important of which are noted below.

Perishability of the raw material.

The quality of some raw materials deteriorates quickly in transit, and this may require processing near the source of the materials. The sugar content of sugarcane and of sugar beets diminishes rapidly and very substantially after harvesting. This accounts, in part, for the fact that both sugarcane and sugar beets have the sugar extracted near where they are produced. The striking correspondence between sugar-beet production and beet-sugar production is shown by table I in appendix J.

The quality of some fresh fruits and vegetables deteriorates quickly after harvesting and partly for this reason canning or drying of fruits and vegetables usually occurs very close to the sources of supply. For the same reason the quick-freezing process of preserving fresh fruits and vegetables occurs near the sources of their production.

Integration of manufacturing processes.

The further processing of some semimanufactured materials is less costly if the latter manufacturing stage is integrated with the earlier. This tends to draw such manufacturing to the points where the first

⁷ See table 133.

processing takes place, which is often near the source of raw materials. Newsprint manufacturing and many types of kraftboard mills processing pulp are physically integrated with pulp mills, which in turn tend to be located near the sources of pulpwood. Glass can be molded only before it becomes hard and solidifies. Consequently, glass bottles, jars, and other glass products can practicably be made only where the glass itself is manufactured. The development of the continuous rolling process for the manufacture of steel makes it more profitable to manufacture steel near blast furnaces; otherwise an expensive process of reheating the iron is necessary.

Conversion losses.

One of the strongest forces operating to draw industries to their raw materials is the fact that there is a considerable loss of weight in converting certain raw materials into finished or semifinished goods. For such industries it is ordinarily cheaper to carry on the processing near the source of the materials, and to avoid the shipment of weight that can be eliminated in the manufacturing process.

The smelting of copper near the points where copper is produced is a good illustration of the operation of this force.³ The close relationship between smelter output and production of copper ore is to be accounted for by the loss of weight involved in the reduction of copper ores. From 95 to 99 percent of the ore generally is waste matter. Even when some waste is removed by the concentration of the ore, about 75 percent of the weight remaining is nonsalable matter.

Conversion losses also account for the production of coke in beehive ovens near coal mines. The weight of the coke is 65 percent or less of the weight of the coal. Conversion losses are an important factor in causing the commercial dehydration of vegetables, eggs, milk, and meat to be carried on near the sources of supply. If it were not for the existence of economies of large-scale production, and the scattered geographic production of these commodities, they would be transported even shorter distances than they now are for dehydration. The weight losses resulting from dehydration may be shown by the fact that dried apples weigh only 14 percent as much as fresh apples; dried peaches, apricots, and pears weigh only 18 percent as much as the fresh fruit; raisins weigh only 25 percent as much as the grapes from which they are made; and dried prunes from 25 to 40 percent as much as fresh prunes. Most vegetables lose 85 percent or more of their weight in drying. A hundred pounds of fresh eggs make 22 pounds of dried eggs.

Huge conversion losses accompany the manufacture of lumber in sawmills and the chemical reduction of logs into pulp. Mainly because of the transportation savings achieved, sawmills are located near the sources of logs, and in many instances are integrated with logging operations. It is partially in order to save the transportation costs on the 50 percent or more of waste in most kinds of pulpwood that pulp mills are also located near the sources of the pulpwood. It has already been indicated that establishments manufacturing newsprint and kraft paper are generally integrated with paper mills, partially to save either the transportation expense entailed in moving wet pulp or the costs of drying it for transportation.

³ See appendix J, table II.

Markets for coproducts.

When a manufacturing process results in the production of several products there is a tendency for the industry to locate near the sources of materials. In such cases transportation savings are especially great if the principal market for some of the coproducts and the source of materials coincide, since the manufacture of the products at any other location would require a back haul on the coproduct that has its market near the source of the raw material. Transportation savings may result from the location of an industry close to the raw materials even though none of the coproducts is marketed near the raw material, if the various products are marketed in widely different places. This is because the location of the industry near the market for one of the several products may require not only the transportation of the raw material, but the transportation of coproducts an equally great or greater distance. Thus the aggregate transportation charges on raw materials and products may frequently be less when an industry producing several products having different markets is located near the raw materials. It should be pointed out, however, that if the markets for the various coproducts coincide no transportation advantage may result from hauling the products rather than raw materials.

The markets for the coproducts, or byproducts, of many industries processing agricultural products are in the areas which produce the agricultural products. This is a factor tending to draw such industries toward the sources of materials. Cottonseed meal and cake are used for livestock feed; and skim milk, buttermilk, and whey are commonly used as feed for hogs. The slaughtering industry produces various inedible products, some of which find their ultimate markets on farms in the form of fertilizer and feed. The situation described, therefore, has the effect of favoring the location of such industries as cottonseed crushing mills, slaughterhouses, creameries, and other plants processing agricultural products, in the areas which produced the agricultural products.

The strength of the forces which tend to draw industries toward raw materials varies greatly in different industries. In many industries, however, the conditions which draw production to the sources of supply of raw materials are so important that the industry is not likely to be drawn away by changes in freight rates. Low rates on the products of such industries, however, may be very important both to the manufacturers and to the producers of raw materials. This is because the extent to which the natural resources of a region can be profitably exploited may depend upon the ability of manufacturers using this material to sell their products in distant markets in competition with products made from such materials produced in other areas. Producers of raw materials which can profitably be manufactured only near their sources have much more to gain by low long-distance rates on the products of those materials than on the materials themselves. For instance, a reduction in the rates on fresh milk from Minnesota to New York is of much less significance to dairy farmers in the former State than a reduction in the rates on butter. Long-haul rates on copper ores might be very greatly reduced without any gain to copper mine operators in Utah. Sugar beet farmers in Colorado have little interest in the rates on beets to Chicago but have

a very marked interest in the rates on beet sugar to that point. Cotton producers, and the owners of cottonseed-oil mills in the Southeast and the Southwest, and soybean producers and the owners of soybean mills in Illinois and Iowa, are generally very much less interested in the level of rates on cottonseed and soybeans, respectively, than in the level of rates on meal, cake, and oil, and even in the level of rates on the products of the further processing of cottonseed and soybean oil.

2. WHY SOME INDUSTRIES TEND TO BE LOCATED NEAR THEIR MARKETS

In contrast to the group of industries which tends to locate in close proximity to raw materials is another group which finds it advantageous to locate near their markets. Numerous circumstances may bring about this situation.

Perishability of products.

Products whose quality deteriorates considerably in transit are usually manufactured very close to their markets. The necessary raw materials, if they are not produced near the markets for such products, must be transported from other areas. Fresh bread and pastries lose their principal salable quality—freshness—if transported long distances. Accordingly the bread-baking industry is distributed very closely in relation to the market for bread.⁹ Ice cream is another commodity which deteriorates rapidly, and which is therefore produced very close to its markets. The location of slaughtering plants is affected by the fact that in warm climates, such as that of southern California, there is a demand for locally slaughtered pork.

In general, no reasonable change in freight rates, either on the products or their materials, would result in a considerable interterritorial shift in the location of bread-baking, or ice-cream manufacture. Even though rates on fresh meats from points in Western Trunk-Line Territory to California were considerably reduced, some hogs would probably continue to be shipped to southern California for slaughter because of the demand for locally slaughtered pork in that area. There is no doubt, however, that the freight rate structure fosters movement of live animals rather than their products from the latter territory to the Pacific coast, generally.

The combination of materials with others found nearly everywhere.

Manufactured products in which a major ingredient is a material which is found nearly everywhere at approximately the same expense tend to be produced near their markets. In a sense, exactly the converse of the conversion losses considered earlier occurs in these manufacturing processes, as weight is gained rather than lost in manufacture. As a result, a distinct transportation advantage is given to producers who combine the various materials close to the market. In such cases, materials produced in other areas, rather than the product, tend to be transported, and establishments that manufacture for distant markets do so only because they possess manufac-

⁹ Because of regional differences in the proportion of bread that is baked in the home, and in very small bakeries that do not report to the Bureau of the Census, and because of some regional differences in purchasing habits, the correlation of bread baking with neither population nor income is perfect.

turing or marketing advantages over manufacturers at the markets which offset the extra transportation cost incurred.

The manufacture of soft drinks is an industry which is distributed geographically according to its markets because one of the principal ingredients—water—can be obtained in practically all centers of population. Water constitutes more than 90 percent of the weight of soft drinks. The other ingredients, such as sugar, are transported to such markets unless, of course, they are produced there also.¹⁰ In some instances the ingredients other than water are combined elsewhere and shipped to local markets to be combined with water, and bottled.¹¹ And, in a few instances, brands possess sufficient marketability to command premium prices at a distance.¹²

Beer, also, tends to be brewed in close proximity to its markets. The major reason is that about 91 percent of the weight of beer is water. The grain going into beer is shipped from Western Trunk-Line Territory to New England and other Official Territory points, and to Southern Territory. The importance of brand names, however, is so great in the case of beer that some of the product is shipped long distances.

The great bulk of sulfuric acid is manufactured in fairly close proximity to the manufacturing and other establishments using it.¹³ Even if freight rates on sulfuric acid were lower than on sulfur, a considerable movement of the latter from Texas and Louisiana, where sulfur is produced, would undoubtedly occur, since sulfur constitutes only from $\frac{1}{4}$ to $\frac{1}{2}$ of the weight of sulfuric acid, and the rest is water.

The fact that the bulk of the nation's commercial fertilizer is manufactured in Southern Territory is partially explained by the fact that a considerable amount of common sand or other filler found almost everywhere is often combined with the other and more concentrated ingredients, thus favoring manufacture in the areas where commercial fertilizer is extensively used. The production of portland cement is also distributed geographically in fairly close relation to its markets. The major reason for this fact is that the raw materials, other than fuel, are found in nearly all parts of the United States.

The combination of materials produced in separate regions.

Even when none of the materials used in manufacturing a particular product is found near the markets for that product, an incentive in the form of lower freight costs is given to the location of manufacturing near the markets if raw materials or semimanufactured materials from many different places are required. The reason for this is that the various raw materials can generally be brought together at the markets for the manufactured products as cheaply or more cheaply than anywhere else, since the combination of materials in any of the regions producing raw materials would involve out-of-line shipments on others, and consequently a larger freight bill. Many of the industries which combine a variety of materials from various producing regions are among those concentrated in Official Territory

¹⁰ The distribution of the manufacture of soft drinks does not correspond precisely with either the distribution of population or income as table III in appendix J indicates. But the major reason for this is that neither population nor income is a precise indicator of demand.

¹¹ This is apparently true of Coca-Cola, for example.

¹² This is apparently true of Canada Dry products, for example.

¹³ Not all sulfuric acid is manufactured directly from sulfur. A considerable amount of sulfuric acid issues as a byproduct of the smelting and refining of nonferrous metals. The discussion above does not, of course, relate to the location of such smelters and refineries.

where so many commodities find the bulk of their market. The automobile industry is a good example of this type of industry.

Some industries which draw their raw materials, including fuel, from different sources are located at advantageous points which lie between the sources of materials or fuel, on the one hand, and the principal markets for their products, on the other. If bauxite could be reduced to alumina without the use of fuel, it is probable that more Arkansas bauxite would be reduced to alumina in Arkansas, since 2.3 tons of bauxite, on the average, are required for the manufacture of 1 ton of alumina. But in addition, more than $2\frac{1}{2}$ tons of coal are required, on the average, to manufacture 1 ton of alumina. Much Arkansas bauxite is therefore hauled the relatively short distance to East St. Louis, Ill., for manufacture where coal and certain other materials used in making alumina are readily available, and the alumina is shipped to aluminum plants which must be located where power costs are low. Thus, in the past, the manufacture of alumina has taken place between the source of bauxite and the market for alumina.

If iron ore could be manufactured into steel without the use of coke, it is likely that a large part of the steel industry would be located near the ore deposits, since upwards of 2 tons of iron ore are required for the manufacture of 1 ton of steel. But the manufacture of steel also requires about $\frac{1}{4}$ of a ton of coke or $1\frac{1}{4}$ tons of coking coal. When the iron ore and the coal come from different areas a saving in freight costs will often be made if the ore and the coal are brought together near the markets for iron and steel or at some point between the sources of ore and of coal and the markets for the product. It is noteworthy that iron ore is not shipped from Alabama, where excellent coking coal and fluxing limestone are found in abundance along with iron ore. This is also true of the iron ore of Utah, and was true of Colorado ores before the mines were exhausted.

The milling industry is another industry in which there is some advantage in locating between various wheat-producing areas on the one hand, and markets for flour on the other, since ability to obtain wheat from different sources of supply, without necessitating back hauls is of importance.

Industries which for one reason or another are more advantageously situated if located near their markets are not likely to be drawn to other locations by adjustments in freight rates. But here, as in the case of industries which tend to be located near raw materials, the strength of the force which pulls them toward a certain location will vary greatly in different industries.

3. INDUSTRIES WHOSE LOCATION IS AFFECTED BY THE RELATION OF RATES ON RAW MATERIALS AND FINISHED PRODUCTS

There is a class of industries, however, which is particularly sensitive to freight rate changes. This group of industries consists of those which are drawn towards raw materials, or towards markets for finished products, depending on the relation between the rates on raw materials and on finished products. If rates on raw materials are low relative to the rates on finished products, these industries tend to locate near the markets for their products, but if the rates on raw materials are high relative to the rates on the finished product they

tend to locate near the source of their raw materials. These industries are the ones which are most affected by rate changes and which may be induced to locate in one region or another by manipulation of freight rates. It should be noted, however, that the factor affecting the location of these industries is not the level of rates but the relationship of rates on raw materials and finished products.

The meat-packing industry is one which is affected by such rate relationships, and many of the rate controversies with which this industry has been concerned in the past have involved the relationships between rates on livestock and fresh meats. The fact that rates on fresh meats are ordinarily higher than on livestock works to the advantage of packers located near consuming markets as compared with those located near the sources of livestock but distant from consuming markets. The combination basis of rates on livestock from the West to eastern points, which results in comparatively high interterritorial rates and which thereby narrows the spread that would otherwise exist between the rates on fresh meats and livestock, tends to reduce the advantage which eastern packers derive from a spread in the rates. The wide spread between meat and livestock rates from Western Trunk-Line points to the Pacific coast favors the shipment of livestock rather than meats to Pacific coast points. The recently established low rates on livestock from the South to Eastern Territory may favorably affect the livestock producers in the South, but may result in rate relationships unfavorable to the growth of the packing industry in the South. The milling industry is also an industry which has been affected by the relationship of rates on raw materials and finished products. The peculiarity of the rate relationship in the latter industry has been the widespread equalization of rates on wheat and on flour and mill products.

A conflict of interest often appears within a region when the location of processing in the areas producing raw materials is dependent upon the relation between the raw materials and finished products rates. The interest of the raw material producers in having low rates on raw materials, in order to obtain as wide a market as possible for their products, may come into conflict with the interest of processors desiring low rates on finished products and comparatively high rates on raw materials. From the point of view of the national economy the wise policy in instances of this sort would seem to be to establish rate differentials on raw materials and finished products which correspond to the differences in the cost of transporting them, and then to let industries gravitate toward raw materials or toward the markets, depending on which is the more favorable location under the resulting rate adjustment. To the extent that carriers are free to adjust rates to meet competitive conditions, however, the force of market competition is likely to prevent the universal establishment of rates on this basis.

4. OTHER FACTORS AFFECTING THE LOCATION OF INDUSTRIES

Transportation advantages play a large part on explaining why some industries tend to be located near the sources of raw materials, but they are advantages which, in most cases, would continue to hold the industry to the raw material sources under almost any level or structure of freight rates. Transportation advantages also play a

large part in explaining why some industries seek to locate near their markets. These are also advantages which would hold the industry to its markets under almost any probable level or structure of freight rates. Transportation costs, as affected by the relationship of rates on raw materials and on finished products, are important in determining the location of another group of industries. Changes in these relationships may result in changes in the location of industries. There are, however, other factors unrelated to transportation costs which affect the location of industries and which may outweigh transportation costs. Some of the more important of these nontransportation factors are mentioned below.

Power costs.

There is a growing number of industries which are dependent upon cheap electric power, and whose location is determined almost entirely by that factor. The manufacture of aluminum from alumina is a good example of this class of industries. The importance of electric power in influencing the location of the aluminum industry is indicated by the fact that about 24,000 kilowatt-hours are required to produce one ton of aluminum.¹⁴ At 1 cent per kilowatt-hour, the electric power costs, alone, of manufacturing a ton of aluminum would be approximately \$240 as against only \$24, at 1 mill per kilowatt-hour. In fact "power is relatively so important in the aluminum industry * * * that the reduction plants have been established in regions where energy can be generated at a cost of less than 3 mills per kilowatt-hour."¹⁵ No reasonable change in freight rates on either the materials entering into the manufacture of aluminum, or on the latter, would warrant the establishment of aluminum plants where power costs are high. If power costs were of little or no importance in the industry, it is highly probable that more alumina made from imported bauxite would be reduced near the ports, and from Arkansas bauxite near that source, since 2 tons of alumina are required to manufacture 1 ton of aluminum. But power costs are of such overwhelming importance as to render of relatively minor significance the freight costs on 2 tons of alumina, one-half of a ton of petroleum coke, and substantial amounts of cryolite and other materials.

There are other industries, also, which are such large users of electric power that no site other than one at which power can be obtained at very low rates would be chosen for manufacture, even if considerable changes in freight rates on materials and products were made. For example, from 16,000 to 20,000 kilowatt-hours are required to produce 1 ton of magnesium. More than 9,000 hours are required to produce 1 ton of silicon carbide, and 6,000 to 9,000 kilowatt-hours to produce 1 ton of ferrosilicon, ferromanganese, ferrochromium, ferromolybdenum, ferrovanadium, or ferrouanium. The production of 1 ton of electrolytic zinc requires almost 4,000 kilowatt-hours of electric energy, and for this reason availability of cheap electric power has been an important factor in determining the location of such establishments.

Although industries in which low-cost electric power is of vital importance cannot be drawn to other locations by freight rate adjustments, the extent to which such industries will locate at a particular

¹⁴ Federal Power Commission, *Power Requirements on Electrochemical, Electrometallurgical, and Allied Industries*, Washington, D. C., 1938.

¹⁵ *Ibid.*, p. 15.

source of low-cost power may depend upon distance and freight rates to markets for the products of such industries.

Labor costs.

Differences in wage rates in different areas have had an important effect on the location of industries. Regional differences in wage levels, however, may not survive the industrialization of areas in which little manufacturing now takes place. Wage differences, however, have been an important cause of the development of cotton manufacturing in the Southern States.¹⁶

Skilled labor supply.

Regional differences in the specialized training of the labor supply have had an important effect upon the location of manufacturing industries. Both in the Southern and the Western Districts, the development of manufacturing has been retarded because of lack of labor with specialized manufacturing training. This lack of highly skilled labor can be remedied, but it is costly. The lack of skilled workers in the South and the West has been an especially important obstacle to the development of the more advanced stages of manufacturing, since the latter usually require far more highly skilled workers than the earlier stages.

The importance of a skilled labor supply in the growth of a region's manufacturing can be illustrated by the historical development of numerous industries in the South and in the West. The cotton textile industry in the South has had a steady but gradual development during the past 70 years. Those branches of the industry requiring the lowest grades of skill developed first, to be followed in almost perfect succession by branches requiring higher grades of skill. Even today, the manufacture of the more expensive types of piece goods is performed almost exclusively in Official Territory. The manufacturing of cotton clothing requiring more highly skilled labor is also performed almost exclusively in Official Territory, although the South manufactures a relatively large percentage of such articles of clothing as work shirts.¹⁷

The pottery industry of this country is still very largely concentrated in Official Territory. Beginnings have been made in Southern and Western territories but the pottery manufactured in these areas is generally of lower grade and does not require very highly skilled labor. Some wool produced in Mountain-Pacific Territory is processed in that area. Woolen clothing is also made there. In general, however, only the cheaper grades of woolen clothing are made in that area and most of the finer grades, requiring more highly skilled labor, are purchased from clothing centers in Official Territory. Similar illustrations could be multiplied.

Regions in which labor has, over a period of time, developed the special skills associated with a particular industry are apt to retain that advantage for a long time. Such regions tend to remain the center of the industry after the original reasons for the establishment of the industry in that area have ceased to be operative.

¹⁶ See Seth Hammond, *Locational Experiences of the Cotton Industry*, National Resources Planning Board, 1941 (mimeographed).

¹⁷ For data on geographical distribution of certain kinds of cotton-goods manufacturing, see appendix J, tables IV-VIII.

E. CONCLUSIONS

Four general classes of manufacturing industries have been mentioned in this chapter: (1) Those which tend to be located near the source of one or more raw materials; (2) those which tend to be located near their markets; (3) those the location of which may be determined by the relation of the rates on their raw materials and their finished products, and (4) those whose location is determined by matters unrelated to transportation, such as power costs, wage levels, and a supply of skilled labor trained in the processes of a particular industry.

Industries which tend to be located near the sources of raw materials because of some transportation advantage are not ordinarily likely to be drawn away from such locations by changes in freight rates. The transportation advantage of location near raw materials is usually too great to be neutralized by rate adjustments. Whether an industry of this type can thrive in a particular area, however, in competition with producers of the same material in another locality may depend on low freight rates on manufactured articles to consuming markets, as previously noted. For this reason the exploitation of the natural resources of an area by industries of this class may be affected by comparative levels of freight rates on manufactured articles.

Industries which find a distinct transportation advantage in being located near the markets for their products are not likely to be drawn to other locations by changes in freight rates that might result from a removal of regional differences in the levels of class rates. These industries tend to develop as the market for their product develops, and are only indirectly affected by changes in freight rates.

The industries which will locate near raw materials if the rates on raw materials are high relative to the rates on finished products, or will locate in close proximity to their markets if the rates on raw materials are low relative to the rates on finished products, are the industries whose locations are most likely to be affected by changes in freight rates. It should be observed, however, that rate relationships, and not rate levels, are of most importance here. Placing class rates on a common level throughout the United States would change some of these relationships but determination of the extent to which particular industries would be affected, if at all, would require a careful examination of the changes in rate relationships in those industries, and also a consideration of the importance of these relationships as a locational factor in the industries in question.

The industries, the location of which has been determined by non-transportation considerations such as power costs, wage levels, and the like, may or may not be affected by the changes in freight rates that would result from equalization of class-rate levels. For many industries the importance of the nontransportation location factor is so great that no changes in freight rates would change the locational pattern of the industry.

On the other hand, locational advantages, other than freight rates, may in particular instances be so slight that differences in freight rates are a determining factor in decisions as to location. Unfavorable freight rates may, in some instances, prevent the location of industries in otherwise advantageous locations; and on the other hand, especially favorable rates may, in particular cases, foster the development of an industry in an otherwise unfavorable location.

The foregoing analysis of industries according to the factors which affect their location suggests that the locational pattern of the manufacturing industries of the country would be affected to a limited extent by the equalization of freight-rate levels, particularly the levels of class rates. The conclusion is warranted, however, that equalization of rate levels, particularly the levels of rates on manufactured articles, would create conditions more favorable than have existed in the past for the development of particular industries in the South and West, since present rate disadvantages would be removed.¹⁹

If an attempt were being made to appraise the effects that the present rate structure has had on the economic development of the South and West in the past, it would be necessary to recognize that the restrictive effect that a high general basis of class rates may have had on the development of industries in those areas must be weighed against the stimulating effects which may have resulted from the favorable rates on some manufactured products now produced in those areas, as well as from favorable rates on many raw materials. It should also be recognized that high rates within the South and West on manufactured articles, coupled with high interterritorial rates, although tending to discourage manufacture in the South and West for Official Territory markets, would normally encourage the development of local industries in the South and West for local markets. It has previously been noted that Southern industries have sometimes objected to lower rates from the North to the South than apply within the South in order to be protected from the competition of northern goods.

A proper settlement of the interterritorial freight-rate problem from a national standpoint should not depend upon considerations of sectional gains or losses that might result from the removal of existing differences in rates. Unless there are compelling reasons to the contrary, the rate structure should not be manipulated to stimulate the location of industries in any particular region or locality, or to prevent their location in other areas, or to foster either centralization or decentralization of industry. The rate structure should place no obstacles in the way of locating industries where production costs, including transportation costs, are lowest, or where for other reasons it is advantageous to locate an industry. A rate structure that is adjusted to transportation costs serves this purpose best. If this results in concentration of industries in certain areas such concentration has a sound economic basis; if it results in a scattering and decentralization of industries, that, too, rests upon a sound economic foundation.

The removal of existing differences in rate levels, except to the extent that such differences are justified by differences in transportation costs and the revenue needs of the carriers, would facilitate a sounder regional specialization in the United States. It would permit manufactured products from the South and West to move more freely into Eastern Territory markets. Unless rates were equalized on the highest regional levels it would also permit products of Eastern manufacture to move more easily into Southern and Western markets. The net result would be the creation of a situation in which each part of the country could develop the particular lines of manufacturing for which its resources were best fitted.

¹⁹ In the report submitted to the Board by the director of the study this paragraph read as follows: "The foregoing analysis of industries according to the factors which affect their location suggests that the locational pattern of the manufacturing industries of the country would be affected only to a limited extent by the equalization of freight rate levels, particularly the levels of class rates. The conclusion is warranted, however, that equalization of rate levels, particularly the levels of rates on manufactured articles, would create conditions somewhat more favorable than have existed in the past for the development of particular industries in the South and West, since present rate disadvantages would be removed."

CHAPTER IX

RELATIVE TRANSPORTATION COSTS

A. STATEMENTS OF THE INTERSTATE COMMERCE COMMISSION IN DECIDED CASES

Less favorable transportation conditions and higher operating costs have been frequently cited by the Interstate Commerce Commission in the past as justifying higher levels of rates in the South and West than in the East. Among the less favorable transportation conditions prevailing in those areas, the lighter traffic density has received the most frequent mention.

So far as the South is concerned, the Commission's decisions are replete with statements of the less favorable transportation conditions prevailing in that area. See *Class and Commodity Rates*, 38 I. C. C. 411, 430 (1916); *Commercial Club of Carrollton v. Director General*, 55 I. C. C. 697, 700 (1919); *Barytes from Tennessee*, 43 I. C. C. 334, 337 (1917); *Cincinnati Association of Purchasing Agents v. Louisville & Nashville R. R. Co.*, 89 I. C. C. 285, 294 (1924); *Eastern Livestock Cases of 1926*, 144 I. C. C. 731, 766 (1928); *Blue Ridge Glass Corp. v. Akron & Barberton Belt R. R. Co.*, 182 I. C. C. 493, 495 (1932).

A comparatively recent case in which specific findings were made of higher costs in the South than in the North, in spite of contentions to the contrary, is *Cotton, Woolen, and Knitting Factory Products*, 211 I. C. C. 692 (1935), wherein southern shippers had contended that the actual costs of performing transportation service in the South were lower than in the North. In this case the Commission said: "If necessary corrections of inequalities, especially as to length of haul, were made, and the comparisons were made of properly comparable figures and periods of time, this record would show affirmatively that Southern Territory should continue to be considered higher rated territory than Official Territory" (p. 723). Even more recently, in *Divisions of Rates, Official and Southern Territories*, 234 I. C. C. 175 (1939), the Commission made a specific finding that transportation costs were higher in the South than in the North, although the northern carriers contended that costs in the two territories were substantially equal. The Commission's conclusion was that "transportation costs on the traffic here considered may properly be considered to be higher in the South, and that, although the exact degree of difference is indeterminable, it is not negligible, as the northern lines argue" (p. 189).

Not long after the decision in the *Southern-Official Divisions* case the Commission, in another case, appeared to have some doubts about the truth of the contention that there were substantial differences in transportation costs in the South and in Eastern Territory. This case was *State of Alabama v. New York Central R. R. Co.*, 235 I. C. C. 255 (1939), commonly known as the Southern Governors' case. In this case the Commission said: "The freight traffic density in the

Southern Region is considerably lower than that in the Eastern District. This, taken by itself, would suggest higher costs therein. But other factors, such as lower investment, lower terminal cost, etc., appear largely to offset the lower density" (p. 307). The Commission finally concluded that "the cost of transporting the articles named in the complaint from producing points in the South into the North, compared with that of transporting like articles within the North, does not justify the maintenance thereon of higher levels of rates than are applicable on like articles within the North" (p. 326). This recent case, as noted above, suggests that the Commission now has doubts concerning the validity of the assumption that transportation costs are higher in the South than in the North.

So far as the West is concerned, the Commission's approval of higher class or commodity rates than in the East and South is also predicated on less favorable transportation conditions. Here again differences in traffic density have been assumed to establish higher costs. See *Glassware to the South*, 222 I. C. C. 467, 470 (1937); *Consolidated Southwestern Cases*, 205 I. C. C. 601, 650 (1934); *Abbotts Dairies, Inc. v. Minneapolis, St. Paul and Sault Ste. Marie Ry. Co.*, 216 I. C. C. 661, 665 (1936). The differences in rate levels within different parts of the West have also been justified by the Commission by differences in traffic density and in other transportation conditions.

B. EARLY COST STUDIES OF INTERSTATE COMMERCE COMMISSION STAFF

1. I. C. C. BUREAU OF STATISTICS COST STUDY, 1930

A study of regional variations in railroad freight costs, made by Dr. Lorenz of the Bureau of Statistics of the Interstate Commerce Commission, was published by the Commission in mimeograph form in 1930 under the title: "Territorial Variation in the Cost of Carload Freight Service on Steam Railways in the United States for the Year 1928."¹

This study was of average freight costs, which were determined by taking the total freight service costs—operating expenses, taxes, and return on investment—of class I railways, and dividing them into yard and station costs on the one hand, and all other costs, on the other hand. Yard and station costs were placed on a per car basis, after deducting certain costs assignable to the less-carload business. The other costs were placed on a gross ton-mile basis, i. e., the gross ton-miles hauled in revenue freight service. They were also shown on the basis of loaded car-miles.² Certain roads which were primarily carriers of coal and ore were not included in the study.³ Passenger deficits were included in the computations of cost.

The results of this study are shown in table 139.

¹ Interstate Commerce Commission, Bureau of Statistics, Statement No. 3018.

² For farther details of the methods used see Statement No. 3018, pp. 6-7.

³ The roads not included were the following: Lehigh & New England; Monongahela; Montour; Pittsburg & Lake Erie; Pittsburg & Shawmut; Pittsburg, Shawmut & Northern; Bessemer & Lake Erie; Buffalo & Susquehanna; Chicago & Illinois Midland; Evansville, Indianapolis & Terre Haute; Hocking Valley; Port Reading; Western Maryland; Chesapeake & Ohio; Norfolk & Western; Virginian; Duluth & Iron Range; Duluth, Missabe & Northern; Lake Superior & Ishpeming; Bingham & Garfield; Utah.

TABLE 139.—*Relative cost of railroad carload freight, 300-mile haul, class I railroads, excluding coal and ore roads, 1928*¹

District or Region	Relative cost (Eastern = 100)	
	Gross ton-mile basis	Loaded car-mile basis
Eastern District.....	100.0	100.0
New England.....	135.9	121.8
Southern Region ²	99.2	98.6
Western Trunk-Line railways.....	107.2	104.0
Southwestern Region.....	104.9	104.0
Mountain-Pacific, excluding Union Pacific R. R.....	134.5	133.1
Mountain-Pacific, including Union Pacific R. R.....	125.0	122.1
Western District.....	113.4	111.2

¹ The costs were figured on the basis of a 300-mile haul for a car of 55 gross tons. *Ibid.*, pp. 5 and 12.
² Includes Richmond, Fredericksburg & Potomac Railroad.

The Lorenz study brought out the fact that the switching and station costs were higher in the East than in the South, but that line-haul costs were lower in the East than in the South. For this reason the relation of the Southern costs to the Eastern became less favorable to the Southern Region as the length of the haul increased. The relatives shown in table 139 are based on a haul of 300 miles.

Another point brought out in the Lorenz study relates to the effect of differences in traffic density on cost. The Eastern District had about twice the density of the Southern Region, yet the unit cost was slightly greater in the East. The line-haul cost in the East, however, was somewhat less than in the South.

The Lorenz study indicates that the return-on-value element was relatively higher in the South and West than in the East, constituting 22.5 percent of the freight operating expenses, taxes, and rents, in the Eastern District, 24.9 percent in the Southern Region, 25.1 percent in the Western District, and 28.4 percent in the Mountain-Pacific group, if the Union Pacific is not included in the group. The passenger deficiency also constituted a larger element in the cost in the Southern Region and in the West than it did in the East, constituting 3.3 percent of the freight operating expenses, taxes, rents, and return on value in the East, 9.0 percent in the South, 10.6 percent in the Western District, and 12.7 percent in the Mountain-Pacific area, if the Union Pacific Railroad is not included.⁴

2. I. C. C. BUREAU OF STATISTICS, STATEMENT NO. 3812

Another study of regional variations in railroad costs, somewhat more elaborate than the earlier study, was made by the Bureau of Statistics of the Interstate Commerce Commission in 1938, and published in mimeographed form under the title: "Territorial Variation in the Cost of Carload Freight Service on Class-I Steam Railways in the United States for the Calendar Year 1936". In this study costs were calculated on a gross ton-mile basis, and on a car-mile basis, as in the earlier study, but under four different plans.

⁴ *Ibid.*, p. 11.

Under plan I, which was the method used in the earlier study, the coal and ore railways were excluded.⁶ Expenses incurred for less-carload freight were excluded, but the net passenger deficiency was included in the freight costs.

Under plan II computations were restricted to railways with annual freight revenue of at least \$10,000,000, of which not less than 12.5 percent was derived from carload traffic classified as "manufactures and miscellaneous," and from less-carload traffic, combined. The purpose of this selection was to determine the carload unit costs of general merchandise carriers. Costs, under this plan, included an allowance for the average interchange in each region. Neither less-carload deficiencies nor passenger-train-service deficiencies were included in the freight costs under this plan.

Under plan III, the costs were calculated for all class I railways, excluding switching and terminal companies. Under this plan less-carload deficiencies and passenger service deficiencies were not included.

Under plan IV all class I railroads were included (except terminal and switching companies) as under plan III, but the deficiency in less-carload freight earnings was included as a carload freight cost.

Plan V was the same as plan IV except that deficiencies in passenger-train earnings as well as in less-carload freight earnings were considered as part of the cost of handling carload freight.

Relative costs under all of these plans, with Eastern Territory cost taken as 100, are shown in table 140.

The chief criticism of these cost studies is that they are based on averages, and that to some extent they are averages of unlike things since there are differences in the composition of traffic, the average loading of cars, and average lengths of hauls in the different territories. The weaknesses were recognized in the Bureau of Statistics studies and, so far as possible, methods were used which would minimize errors from this source. Thus the exclusion of the coal and ore roads in some of the calculations was for the purpose of eliminating the influence of marked differences in composition of traffic and differences in average loads per car. Likewise the use of selected carriers under plan II of the 1938 study was to eliminate the influence of roads with a preponderance of certain kinds of traffic. It is worth noting, however, that the Bureau found that about the same results were obtained whether the coal and ore roads were excluded or not, and that the results were not much different, so far as relative costs were concerned, whether all class I carriers or only the general merchandise carriers under plan II were included. The calculation of costs both on a gross ton-mile basis and on a car-mile basis was also a recognition of the effect of differences in car loading, although nearly the same index of relative costs resulted from both methods, except in Pocahontas Territory.

The conclusion seems warranted that although these computations of relative cost are subject to many limitations, they do probably portray, at least in a general way, the regional differences in average

⁶ The roads excluded were the following: Cambria & Indiana; Monongahela; Montour; Pittsburgh & Lake Erie; Pittsburg & Shawmut; Pittsburg, Shawmut & Northern; Bessemer & Lake Erie; Chicago & Illinois Midland; Western Maryland; Chesapeake & Ohio; Norfolk & Western; Virginian; Duluth, Missabe & Northern; Lake Superior & Ishpeming; Nevada Northern; Utah.

costs. It is clear that they do not support the previously accepted belief that the costs of providing transportation service in the South are higher than in the North, but rather that they are probably slightly lower. The studies show costs to be noticeably higher in the Western District than the United States average. The studies also indicate that costs are substantially higher in New England than the costs in the rest of the Eastern District. The studies also indicate that costs are lower in the Pocahontas Region than elsewhere in the United States.

TABLE 140.—Relative cost of railroad carload freight service, 1936, 300-mile haul, by regions and districts computed under various plans ¹

[Eastern District=100]

Region or district	Plan I, class I railways other than coal and ore roads, including passenger deficit		Plan II, selected railways (general merchandise carriers), excluding passenger and less-carload deficits		Plan III, all class I line-haul railways, excluding passenger and less-carload deficits		Plan IV, all class I line-haul railways, including less-carload deficit, excluding passenger deficit		Plan V, all class I line-haul railways, including less-carload and passenger deficit	
	Gross ton-mile basis	Loaded car-mile basis	Gross ton-mile basis	Loaded car-mile basis	Gross ton-mile basis	Loaded car-mile basis	Gross ton-mile basis	Loaded car-mile basis	Gross ton-mile basis	Loaded car-mile basis
Eastern District...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
New England Region.....	119.6	108.0	116.7	125.0	115.4	128.0	140.7	154.9	153.0	168.1
Great Lakes Region.....	96.3	94.1	103.0	95.3	102.6	94.5	101.2	93.0	98.6	90.5
Central Eastern Region.....	103.1	107.0	95.8	105.1	96.4	105.1	95.6	103.5	96.5	104.6
Pocahontas Region.....					67.5	85.9	64.1	82.5	61.0	78.5
Southern Region.....	96.0	92.9	97.9	93.6	100.8	93.7	99.2	92.6	101.3	94.6
Western District.....	107.5	105.4	113.7	100.0	114.9	100.5	114.1	99.6	117.8	102.7

¹ From I. C. C. Bureau of Statistics Statement No. 3812, computed with Eastern Territory cost as 100, instead of with United States cost as 100.

C. THE EDWARDS COST STUDY

The most recent and most elaborate attempt to determine regional differences in cost is the study prepared by Dr. Edwards, of the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission, in connection with Docket 28300, *Class Rate Investigation*, 1939.

A summary of the methods used and of the results of the study was introduced in the above proceeding as exhibit No. 2 with the title "Railroad Freight Service Costs in the Various Rate Territories, 1939." Various cost scales resulting from the study, certain statistical data used, and statements showing procedure, were introduced as exhibit No. 3, *Cost Scales by Territories and Classes of Equipment*. The forms used in compiling the data and further details showing methods of computing costs are shown in exhibit No. 4, entitled "Railway Freight Service Costs for the Year 1939." Certain corrections and revisions of the data originally presented, and a discussion of the differences in the character of the tonnage in each territory and supplementary data, were later published under the title "Relative Territorial Costs 1939 and 1941, Analyses of Switching Costs and Other

Data," and introduced as exhibit No. 11. The results of a different method of distributing constant expenses are shown in another study, entitled "Territorial Rail Costs Based on a Separation of the Out-of-Pocket and Constant Expenses, 1939," introduced as exhibit No. 12. Unit costs computed under the revised method are shown in exhibit No. 13, Territorial Unit Costs for Railroad Freight Service, 1939. Additional data, and computation of costs under a different grouping of carriers are shown in another study, entitled "Unit Costs for the Eastern Territory Including and Excluding the Pocahontas Territory and the State of Kentucky, Unit Costs for the Southern Territory Including and Excluding the State of Kentucky, and Other Data." Replies to various criticisms of the cost study and of the methods used, and certain summary statements, may be found in Statement of Ford K. Edwards in reply to the criticisms of exhibits introduced by him (mimeographed).

One feature that distinguishes the Edwards study from the earlier studies of the Bureau of Statistics is that it obtains costs separately for the different classes of equipment—tank cars, box cars, gondola and hopper cars—and others. This method avoids, in part, the weakness inherent in average costs which do not take into consideration differences in the composition of traffic, since it recognizes differences to the extent that they result in the use of different types of equipment.

In the original study of Edwards, costs were computed on several different levels as follows:

Cost level I, carload and less-carload out-of-pocket costs.

Cost level II, carload and less-carload freight operating expenses, rents, and taxes.

Cost level III (a), carload and less-carload operating expenses, rents and taxes, plus 4 percent on the freight portion of the value of the property.

Cost level III (b), same as III (a), except that a return of 5% percent on property value was used.

Cost level IV, carload operating expenses, rents, and taxes, plus less-carload and passenger operating deficits, but excluding return.

Cost level V (a), carload operating expenses, rents, and taxes, plus less-carload and passenger operating deficits and a return of 4 percent upon the total value of the property.

Cost level V (b), same as V (a), except return was calculated at rate of 5% percent.

Table 141, constructed from tables in Edwards' study, shows relative costs of various freight services in different areas under cost level V (b), for the carload services, and its nearest counterpart for less-carload traffic. Relatives in this table are based on the United States average.

Tables 142, 143, and 144 show costs of various services under cost levels II, IV, and V (b), as shown by Dr. Edwards.

TABLE 141.—Relative cost of various railroad freight services in principal rate territories, 1939, under Edwards' formula, cost level V (b); operating expenses, rents and taxes, plus less carload and passenger deficiencies (for carload traffic), plus return of 5½ percent on value¹

[United States average=100]

Territory	Carload freight in box cars, net load of 25 tons, and a haul of 300 miles	Carload freight in box cars, average load obtaining in each territory, and a haul of 300 miles	Carload freight in gondola and hopper cars, load of 50 tons, and a haul of 300 miles	Bituminous coal, average net load obtaining in each territory, and a haul of 300 miles	Less-carload freight, net load of 5 tons, and a haul of 300 miles	Less-carload freight, average load in each territory, and a haul of 300 miles
Eastern, excluding New England.....	103	102	101	99	103	93
New England.....	134	141	143	147	110	113
Pocahontas.....	73	74	73	68	88	87
Southern.....	94	95	98	101	87	86
Southwestern, including southern Missouri.....	98	99	96	106	101	110
Western Trunk-Line, excluding northern Illinois and southern Missouri.....	103	-----	103	-----	109	-----
Mountain-Pacific.....	103	-----	102	-----	106	-----
Total Western Territory.....	103	102	102	116	108	122

¹ From I. C. C., Bureau of Statistics, Railroad Freight Service Costs in the Various Rate Territories, 1939.

TABLE 142.—Average and relative costs of various railroad transportation services in principal rate territories, 1939, under Edwards' formula, cost level II; operating expenses, rents, and taxes¹

Territory	Carload freight in box cars, net load of 25 tons, and a haul of 300 miles		Carload freight in box cars, average load obtaining in each territory, and a haul of 300 miles		Carload freight in gondola and hopper cars, load of 50 tons, and a haul of 300 miles		Bituminous coal, average net load obtaining in each territory, and a haul of 300 miles		Less-carload freight, net load of 5 tons, and a haul of 300 miles		Less-carload freight, average load in each territory, and a haul of 300 miles	
	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100
	Eastern, including New England and northern Illinois.....	11.6	105	11.8	105	7.9	104	7.4	103	75.9	103	66.5	94
Eastern, excluding New England.....	11.6	105	11.7	104	7.8	103	7.3	101	76.0	103	66.0	93
New England.....	13.2	119	14.0	125	9.6	126	9.4	131	80.5	110	79.6	113
Pocahontas.....	9.1	82	9.3	83	6.2	82	5.5	76	65.0	88	61.5	87
Southern.....	10.4	94	10.6	95	7.4	97	7.3	101	64.2	87	61.0	86
Southwestern, including southern Missouri.....	11.1	100	11.3	101	7.4	97	7.8	108	75.4	103	78.8	111
Western Trunk-Line, excluding northern Illinois and southern Missouri.....	11.0	99	-----	-----	7.5	99	-----	-----	79.5	108	-----	-----
Mountain-Pacific.....	11.0	99	-----	-----	7.5	99	-----	-----	77.6	106	-----	-----
Total Western Territory.....	11.1	100	11.1	99	7.5	99	8.1	113	79.0	107	85.3	121

¹ Taken from I. C. C., Bureau of Statistics, Railroad Freight Service Costs in Various Rate Territories, 1939.

INTERTERRITORIAL FREIGHT RATES

TABLE 143.—Average and relative costs of various railroad transportation services in principal rate territories, 1939, under Edwards' formula, cost level IV; carload operating expenses, rents, and taxes, including less-carload and passenger operating deficits¹

Territory	Carload freight in box cars, net load of 25 tons, and a haul of 300 miles		Carload freight in box cars, average load obtaining in each territory, and a haul of 300 miles		Carload freight in gondola and hopper cars, load of 50 tons, and a haul of 300 miles		Bituminous coal, average net load obtaining in each territory, and a haul of 300 miles	
	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100
Eastern, including New England and northern Illinois.....	13.2	102	13.5	103	9.0	101	8.8	101
Eastern, excluding New England.....	13.2	102	13.4	102	8.9	100	8.3	99
New England.....	15.4	119	16.4	123	11.3	127	11.9	131
Poahontas.....	9.9	76	10.2	78	6.8	76	6.0	71
Southern.....	12.1	93	12.3	94	8.6	97	8.5	101
Southwestern, including southern Missouri.....	13.3	102	13.6	104	8.9	100	8.4	112
Western Trunk-Line, excluding northern Illinois and southern Missouri.....	13.5	104	-----	-----	9.2	103	-----	-----
Mountain-Pacific.....	13.2	102	-----	-----	9.0	101	-----	-----
Total, Western Territory.....	13.4	103	13.5	103	9.1	102	9.8	117

¹ Taken from I. C. C., Bureau of Statistics, Railroad Freight Service Costs in the Various Rate Territories, 1939.

TABLE 144.—Average and relative costs of various railroad transportation services in principal rate territories, 1939, under Edwards' formula, cost level V (b); operating expenses, rents, and taxes, plus less-carload and passenger deficits (for carload traffic), plus return of 5% percent on value¹

Territory	Carload freight in box cars, net load of 25 tons, and a haul of 300 miles		Carload freight in box cars, average load obtaining in each territory, and a haul of 300 miles		Carload freight in gondola and hopper cars, load of 50 tons, and a haul of 300 miles		Bituminous coal, average net load obtaining in each territory, and a haul of 300 miles		Less-carload freight, net load of 5 tons, and a haul of 300 miles		Less-carload freight, average load in each territory, and a haul of 300 miles	
	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100	Cost in cents per 100 pounds	Relative cost United States=100
Eastern, including New England and northern Illinois.....	18.9	103	19.3	104	12.9	103	12.1	102	99.3	103	87.0	94
Eastern, excluding New England.....	18.8	103	18.9	102	12.6	101	11.8	99	99.4	103	86.3	93
New England.....	24.6	134	26.1	141	17.9	143	17.5	147	105.4	110	104.2	113
Poahontas.....	13.4	73	13.7	74	9.1	73	8.1	69	84.6	89	80.1	87
Southern.....	17.2	94	17.5	95	12.2	98	12.0	101	83.4	87	79.3	86
Southwestern, including southern Missouri.....	18.0	98	18.3	99	12.0	96	12.6	106	97.2	101	101.6	110
Western Trunk-Line, excluding northern Illinois and southern Missouri.....	18.9	103	-----	-----	12.9	103	-----	-----	104.9	109	-----	-----
Mountain-Pacific.....	18.8	103	-----	-----	12.8	102	-----	-----	102.0	106	-----	-----
Total, Western Territory.....	18.9	103	18.9	102	12.8	102	13.8	116	104.2	108	112.5	122

¹ Taken from I. C. C., Bureau of Statistics, Railroad Freight Service Costs in the Various Rate Territories, 1939.

The revised method of computing costs used by Dr. Edwards⁶ in his later calculations differed from the method used earlier chiefly in that a portion of the return on investment was considered as a variable expense, and that constant expenses were apportioned on the basis of revenue tons and revenue ton-miles instead of on the basis of direct costs. Table 145 shows the costs of carload freight computed under the modified plan, and also the relative costs in the different territories with the United States average as 100, and also with the Eastern Territory average as 100.

TABLE 145.—Actual and relative costs of railroad carload freight in different territories for a 300-mile haul, 1939, Edwards' formula, revised method, fully distributed expense, including 4 percent return¹

Territory	Cost per 100 pounds (cents)	Relative cost (United States = 100)	Relative cost (Eastern = 100)
Box cars, 5 tons:			
Eastern, excluding New England and northern Illinois.....	48.4	105	100
New England.....	57.3	124	118
Pocahontas.....	36.3	78	75
Southern.....	42.6	92	88
Western.....	47.6	103	98
Box cars, 25 tons:			
Eastern, excluding New England and northern Illinois.....	16.0	99	100
New England.....	23.0	143	144
Pocahontas.....	10.8	67	68
Southern.....	15.5	96	97
Western.....	17.5	109	109
Gondola and hopper, 50 tons:			
Eastern, excluding New England and northern Illinois.....	12.8	98	100
New England.....	19.9	152	155
Pocahontas.....	8.3	63	65
Southern.....	13.0	99	102
Western.....	14.4	110	113
Tank cars, 30 tons:			
Eastern, excluding New England and northern Illinois.....	16.0	99	100
New England.....	23.8	147	149
Pocahontas.....	10.9	67	68
Southern.....	16.1	99	101
Western.....	17.6	109	110

¹ Actual costs and relative costs with United States as 100, taken from Territorial Rail Costs Based on a Separation of the Out-of-Pocket and Constant Expenses, 1939, p. 6. Relative costs with Eastern as 100 are computed. "Revised method" used by Edwards involves the inclusion of a portion of return on investment as a variable expense, and the apportionment of constant expenses on the basis of tons and ton-miles instead of on the basis of out-of-pocket costs.

Nearly all of Edwards' computations of relative costs show that the costs in the South are slightly below the United States average, and below the costs in the Eastern District. Western Territory costs exceed the United States average to some extent. New England costs are considerably above the United States average, and above the Eastern District average. Pocahontas Territory costs are considerably lower than the United States average, and the lowest of any region.

Summary statements of the relative costs of transporting carload freight in various types of equipment in Eastern, Southern, Western, and Pocahontas Territories are shown in tables 146 and 147. The costs are based on hauls of 300 miles. The difference between table 146 and table 147 is that the former is based on an assumed load for each class of equipment, identical in each territory, whereas the relative costs shown in table 147 are based on the actual average load for each class of equipment in each territory.

⁶ Exhibit No. 12, Territorial Rail Costs Based on a Separation of the Out-of-Pocket and Constant Expenses, 1939.

TABLE 146.—Relative fully distributed costs of carload traffic by classes of equipment based on assumed identical load, haul of 300 miles, in principal territories, 1939¹

[United States average = 100]

	East- ern	Poca- hontas	South- ern	West- ern
Box-car traffic.....	101	67	93	107
Gondola and hopper-car traffic.....	101	63	99	110
Stock-car traffic.....	107	86	93	102
Refrigerator-car traffic.....	105	73	100	102
Tank-car traffic.....	102	67	99	109
Flat-car traffic.....	105	64	99	108

¹ Taken from copy of working papers used in computing the territorial cost comparisons appearing on pp. 3 and 4 of the prepared statement of Ford K. Edwards, dated February 1943, circulated by the Commission. Assumed loads were as follows: Box cars, 25 tons; gondola and hopper cars, 50 tons; stock cars, 11 tons; refrigerator cars, 14 tons; tank cars, 30 tons, and flat cars, 29 tons.

TABLE 147.—Relative fully distributed costs of carload traffic by classes of equipment based on actual average load, haul of 300 miles, in principal territories, 1939¹

[United States average = 100]

	East- ern	Poca- hontas	South- ern	West- ern
Box-car traffic.....	102	68	97	103
Gondola and hopper-car traffic.....	100	63	102	115
Stock-car traffic.....	106	86	97	102
Refrigerator-car traffic.....	105	74	102	102
Tank-car traffic.....	101	67	99	109
Flat-car traffic.....	113	68	100	107

¹ Source same as table 146. Average loads, in tons, as follows:

Type of car	East ern	South- ern	Poca- hontas	West ern
Box.....	25.6	25.2	25.4	26.2
Gondola and hopper.....	50.4	46.0	50.2	43.0
Flat.....	25.0	27.7	26.4	29.0
Stock.....	11.1	10.7	11.0	11.0
Refrigerator.....	14.8	14.4	14.5	15.0
Tank.....	29.7	29.6	29.6	20.1

An average of these costs, based on an assumed identical load, weighted according to the revenue ton-miles handled in the various classes of equipment for the United States as a whole, is given by Dr. Edwards as follows:⁷

East, including New England.....	102
Pocahontas.....	67
South.....	98
West.....	108

On the basis of actual average loads in each territory the relative costs are shown by Edwards as:

East, including New England.....	101
Pocahontas.....	67
South.....	99
West.....	110

The relatives shown above are constructed with the United States average as 100. If a comparison of the Southern and Western costs is made directly with Eastern Territory costs, the fully distributed costs,

⁷ Statement of Ford K. Edwards in reply to the criticisms of exhibits introduced by him, p. 4.

based on identical assumed loads, in the South are shown by the Edwards study as approximately 4 percent below Eastern costs, and the Western costs as 6 percent above Eastern costs. If the comparison is based on the actual average loads, the Southern costs are shown as about 2 percent below Eastern costs, and Western costs about 9 percent higher than Eastern costs.

The relative costs shown above are costs of carload traffic. The relative costs of less-carload traffic in the various rate territories are shown below, computed on the basis of an assumed load of 5 tons in boxcars, in each territory, and also on the basis of the actual average loads.

TABLE 148.—Relative fully distributed costs of less-carload traffic in principal territories, 1939¹

	Load of 5 tons, in boxcars	Actual average load ²
United States.....	100	100
New England.....	109	112
Eastern, excluding New England and northern Illinois.....	101	92
Pocahontas.....	89	87
Southern.....	88	87
Western.....	110	122

¹ Computed from data in exhibit 13, Territorial Unit Costs for Railroad Freight Service, 1939, filed in Interstate Commerce Commission Docket 28300.

² Average loads: United States, 5.4 tons; New England, 5.1 tons; Eastern 6.5 tons; Pocahontas, 5.6 tons; Southern 5.5 tons; Western 4.3 tons.

The relative costs of various freight services as shown for the various territories depend upon the grouping of carriers used. Costs in New England are very much above the United States average, and also above the average for the rest of Eastern District. The inclusion of New England with the rest of Eastern Territory tends to raise the Eastern average, but only slightly, as can be seen from tables 141, 142, 143, and 144. Transportation costs on the Pocahontas lines are so low that if they are grouped with the Eastern roads, Eastern costs are greatly reduced. Thus the relative costs (United States average=100) of moving 25 tons in boxcars in the Eastern District is shown as 101 if the Pocahontas Region is not included. The inclusion of the Pocahontas lines reduces the relative to 96.³ Similarly, the inclusion of the Pocahontas lines with the Eastern roads reduces the relative cost of moving 50 tons in gondola and hopper cars from 101 to 94.⁹

Most of the Edwards computations show slightly lower costs in the South than the United States average. It appears, however, that if the State of Kentucky is not included with the South, the Southern costs are above the United States average—101 in a case of a 25-ton load in boxcars, and 105 in case of a 50-ton load in gondola and hopper cars—but the inclusion of Kentucky in the South reduces the relatives to 96 and 99, respectively. This result grows out of the greater traffic density in Kentucky.

The fact that the cost of providing railroad service in the South is as low, or lower than in the East, comes as a shock to those who have assumed that the heavier traffic density in the East must neces-

⁹ See Statement of Ford K. Edwards in reply to the criticism of exhibits introduced by him, p. 3.

⁸ Ibid.

sarily result in lower costs in that area. Line-haul costs are, in fact, somewhat lower in Eastern Territory than in the South, but terminal costs are higher. Other reasons for low costs in the South have been pointed out by Dr. Edwards as: A lower compensation per employee per annum, a lower ratio of empty to loaded car-miles, more miles actually run per hour per train and engine employee in freight service, and more transportation service car-miles per employee.¹⁰ On the other hand the traffic density is less in the South, and also the average number of tons per car, and average number of cars per train.

Since the terminal costs in the South are lower than in the East, but Southern line-haul costs are higher than in the East, it follows that the advantage of the South is greatest on short hauls and diminishes as the length of the haul increases. Even for the longer hauls, however, the Southern advantage in cost may not entirely disappear. Thus, for a load of 25 tons in boxcars, the Eastern cost (excluding New England and northern Illinois) for a distance of 100 miles is 99 percent, and the Southern cost is 93 percent, of the United States average; for a haul of 900 miles the Eastern cost is 100 percent, and the Southern cost 98 percent of the United States average. For the longer distance, therefore, the Southern and Eastern costs on boxcar traffic are closer together, but the South still retains an advantage. On gondola and hopper-car traffic, however, the South loses its advantage on the longer hauls in favor of Eastern Territory. Thus, for a load of 50 tons in gondola and hopper cars moved 100 miles, the Eastern costs (excluding New England and northern Illinois) are 97 percent of the United States average, and southern costs are 95 percent. For a haul of 900 miles the Eastern costs are 98 percent of the United States average, and the southern costs are 101 percent.

The Edwards cost study has been severely criticized. It is subject, of course, to the limitations of any cost analysis that involves the allocation of expenses incurred in common for different services. Many of the criticisms made of the Edwards study relate to details of apportionment, and to the statistical information on which they are based, but improvement in these details would probably not affect greatly the relative cost figures. It should be emphasized that it is relative cost, rather than the absolute cost, that is of interest in any appraisal of the justification of difference in rate levels. The important thing, for the purposes of this study, is to know the extent to which regional differences in transportation costs exist, rather than to determine the adequacy or inadequacy of any computation of average costs as a basis for the prescription of class-rate scales.

The most serious criticism of the Edwards cost study and one which might, if valid, affect the showing of relative costs, is that the costs obtained by the formula are average costs of transporting all kinds of freight; and that they do not, therefore, take into consideration differences in the composition of traffic. It is contended, therefore, that the costs found represent an average of unlike things.

It must be recognized that there are differences in the kinds of commodities or in the relative quantities of various kinds of commodities transported in the different territories. The Edwards study recognizes the importance of differences in composition of traffic, and

¹⁰ *Ibid.* p. 2.

distinguishes between the kinds of traffic carried on the basis of the classes of equipment in which it ordinarily moves. As pointed out previously, separate calculations were made of the cost of handling traffic in the various types of equipment. This procedure is about as far as one can practicably go in distinguishing between the different kinds of commodities carried. It is about as far as one needs to go because the cost of transporting one commodity in boxcars should not differ very much from that of transporting another commodity in the same type of equipment, except as their average loading, loss and damage claims, and special-service requirements may differ. The same is true of commodities transported in refrigerator cars, or in any other types of equipment. Carloads, tons, car-miles, and ton-miles are the more important units from a cost-of-service standpoint, and most expenses are not affected by the nature of the commodity in a car of a particular type, or by the particular commodity constituting a ton.

Differences in composition of traffic, insofar as they affect average car loading, are reflected in average loads in the different regions for the various classes of equipment. If differences in composition of traffic are so great as to make possible a greater use of heavy-tonnage trains in one territory than in another, differences in average cost will likely appear. The heavy coal trains in the Pocahontas Region explain in large part the low average costs found in that region. In 1939, products of mines constituted 83.8 percent of the traffic carried in the Pocahontas Region. In the Eastern District they constituted 58.1 percent of the tons carried, in the Southern Region 46.4 percent; and in the Western District 36.6 percent. In *Relative Territorial Costs, 1939 and 1941, Analyses of Switching Cost and Other Data*,¹¹ Dr. Edwards analyzes this problem. According to the analysis, if a trainload is increased 100 percent, from 2,000 to 4,000 tons, the decrease in cost (operating expenses, rents, and taxes) does not exceed 5 percent on a 50-mile haul or less. On a 300-mile movement the reduction would amount to 14 percent. The reduction would be a smaller percent of the cost if the fully distributed costs, instead of only operating expenses, rents, and taxes were included. Considering the comparatively small differences in the proportion of tonnage in the various territories, Pocahontas Region excepted, which is moved consistently in heavy-tonnage trains, it does not seem probable that lower costs arising from the use of such trains can seriously affect the validity of the Edwards figures on comparative costs.

D. RECONCILIATION OF SOUTHERN COSTS WITH EARNINGS OF SOUTHERN RAILWAYS

Before dismissing discussion of the Edwards cost study and earlier studies, it should be pointed out that there has been some hesitancy in the acceptance of their findings because of the difficulty of reconciling the figures with the rather poor financial showing which has been made by the Southern railroads. If it is assumed that the rate level in Southern Territory is higher than the level in Eastern Territory, and if costs of providing transportation service in the South are

¹¹ Ch. IV.

lower than in Eastern Territory, it would seem that the Southern railroads should be more prosperous than the Eastern roads. The apparent contradiction between the findings of the cost studies and the financial results of railway operations in the South has tended to cast doubt on the accuracy of the cost analysis.

It should be recognized that the argument referred to assumes that the average rate level is higher in the South. It should not be inferred, however, that the Southern level is as much higher than the Eastern level as the differences in levels of first-class rates would indicate. In this connection, it is the weighted average rate level, rather than the average of published rates, that is significant. The average levels of published rates might be higher in the South, and at the same time the average revenues per ton-mile might be lower, owing to differences in the composition of the traffic and differences in the length of haul. As pointed out elsewhere, the weighted average level of rates in the South is estimated to be only from 3 to 5 percent higher than in the East.¹²

It should not be overlooked that although the southern average freight-rate level appears to be higher than the eastern level, the southern passenger-fare level is lower. The average revenues per passenger-mile received by the class I line-haul railroads in the Eastern District, Southern Region, Pocahontas Region, and Western District for the years 1930 to 1941 are shown in table 149. Average revenues per passenger-mile, unlike average revenues per ton-mile in the freight service, can be compared directly without correction for differences in length of haul, because passenger fares, for the most part, increase in exact proportion to distance. The relative passenger-fare levels are indicated by the figures in the columns showing the relation to the Eastern Territory level. The statement that the passenger-fare level is lower in the South than in the East does not necessarily mean that a higher level of fares would be more profitable, since higher levels, at least in the period prior to the war, might have restricted rail travel and resulted in still lower passenger revenues. The financial results of rail operations, however, are not dependent upon the freight-rate level alone, but also in some degree upon the passenger-fare level. In 1939, passenger revenues constituted 18.8 percent of total revenues from railway operations in the Eastern District, 14.6 percent in the Southern Region, 5.2 percent in the Pocahontas Region, and 14.5 percent in the Western District.

The financial results of operations in the Eastern District, Southern Region, Pocahontas Region, and Western District, from 1930 to 1941, are shown in table 150, and in figure 21. The table shows the net railway operating income as a percent of the "book investment." The latter term is used to denote the investment in road and equipment and other property used in transportation service as shown by the carriers' accounts, less accrued depreciation, plus cash, materials, and supplies, as nearly as this can be determined from available statistics for the period 1930 to 1941.

¹² P. 153, *supra*.

TABLE 149.—Average revenue per passenger-mile, class I line-haul railways, by regions or districts, 1930-41¹

Year	Eastern District		Southern Region		Pocahontas Region		Western District	
	Revenue per passenger-mile (cents)	Percent of Eastern	Revenue per passenger-mile (cents)	Percent of Eastern	Revenue per passenger-mile (cents)	Percent of Eastern	Revenue per passenger-mile (cents)	Percent of Eastern
1930.....	2.63	100	3.03	115.2	3.35	127.4	2.75	104.6
1931.....	2.45	100	2.84	115.9	3.25	132.7	2.50	102.0
1932.....	2.21	100	2.28	103.2	2.83	128.1	2.19	99.1
1933.....	2.08	100	1.85	88.9	2.54	122.1	1.93	92.8
1934.....	2.08	100	1.72	82.7	2.28	109.6	1.70	81.7
1935.....	2.12	100	1.73	81.6	2.21	104.2	1.70	80.2
1936.....	1.96	100	1.72	87.8	2.14	109.2	1.67	85.2
1937.....	1.88	100	1.75	93.1	2.10	111.7	1.67	88.8
1938.....	1.93	100	1.97	102.1	2.20	114.0	1.74	90.2
1939.....	1.93	100	1.75	90.7	2.20	114.0	1.71	88.6
1940.....	1.81	100	1.68	92.8	2.00	110.5	1.68	92.8
1941.....	1.81	100	1.71	94.5	1.86	102.8	1.68	92.8
Average.....	2.07	100	2.00	96.6	2.41	116.4	1.91	92.3

¹ I. C. C., Statistics of Railways.

TABLE 150.—Rate of return on book investment, class I line-haul railways, by districts or regions, 1930-41¹

Year	Return on investment				Return on investment				
	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	Percent	Percent	Percent	Percent		Percent	Percent	Percent	Percent
1930.....	3.85	3.05	7.57	3.44	1936.....	3.19	2.97	8.69	2.09
1931.....	2.23	1.54	6.11	2.15	1937.....	2.53	2.63	7.59	1.88
1932.....	1.70	.92	5.36	.87	1938.....	1.41	2.14	5.25	1.21
1933.....	2.34	2.16	6.36	1.41	1939.....	2.63	2.81	6.87	1.83
1934.....	2.27	2.00	6.22	1.41	1940.....	3.06	2.90	7.29	2.29
1935.....	2.59	1.72	6.93	1.48	1941.....	4.11	4.79	7.95	3.75

¹ Net railway operating income as a percent of "book value." "Book value" from 1937 to 1941, was taken to be investment in road and equipment and other property used in transportation service, less accrued depreciation, plus cash, materials, and supplies. Prior to 1937 it was taken as investment in road and equipment, plus improvements on leased railway property, less accrued depreciation, plus cash, materials, and supplies to which was added investment in road and equipment of lessor companies leased to class I line-haul railways.

The table shows that from 1930 to 1936, inclusive, the Southern railroads earned a lower rate of return on their book investment than did the Eastern railroads. From 1937 to 1941, however, the Southern roads made a better showing in each year except in 1940. Preliminary figures indicate that in 1942, also, the Southern railroads earned a larger return than the Eastern roads.¹³

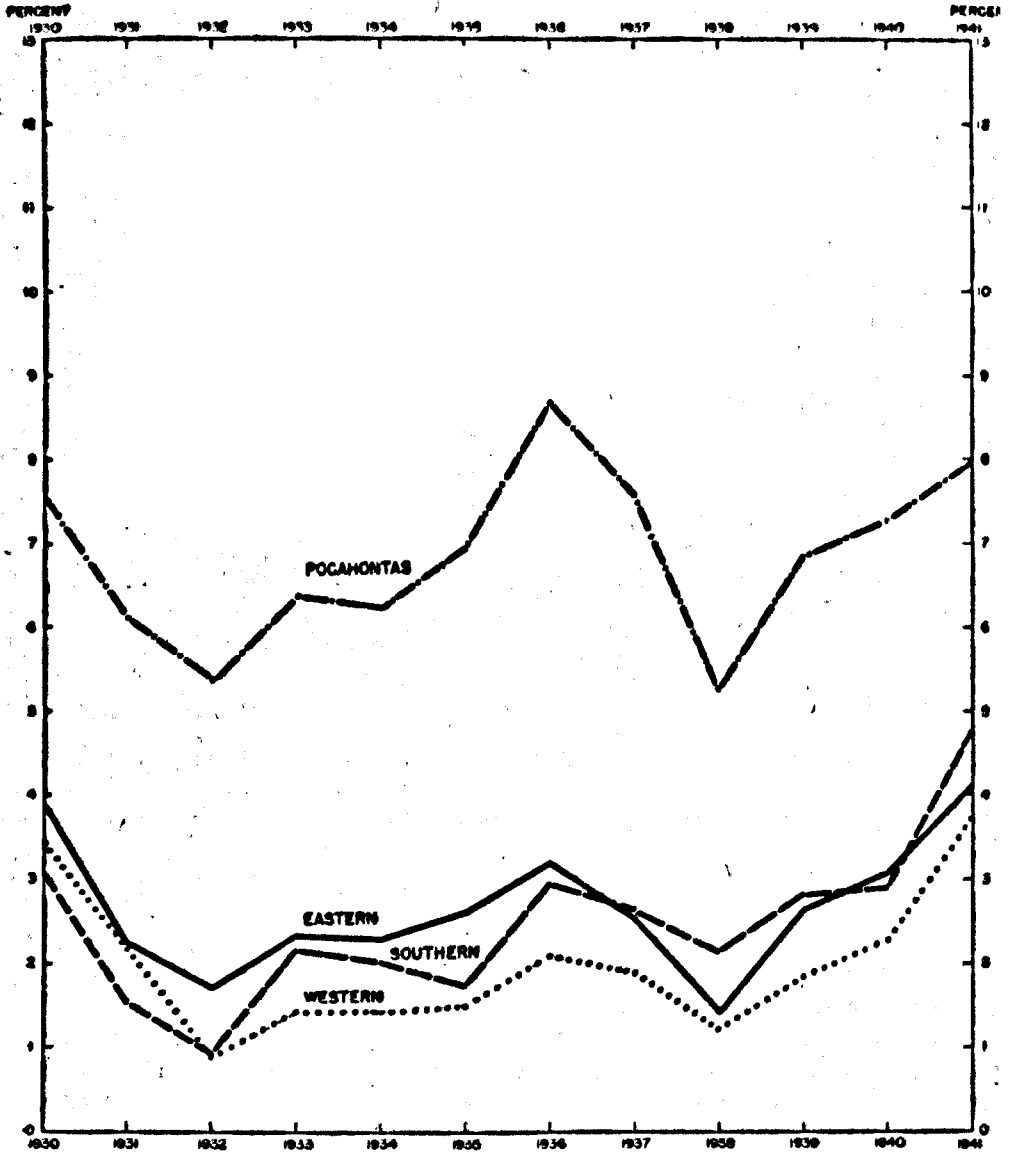
Mention should also be made of the fact that had it not been for the larger passenger deficits in the South, the Southern railroads would have made even a better financial showing. This fact can be shown by comparing the operating ratios of the railroads in the various regions and districts, and then showing separately the freight operating ratios, and the passenger operating ratios.

Table 151 and figure 22 show the operating ratios for the period 1933 to 1941.

¹³ See Interstate Commerce Commission, Bureau of Transport Economics and Statistics, Monthly Comment on Transportation Statistics, Feb. 6, 1943, p. 5.

INTERTERRITORIAL FREIGHT RATES

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TRANSSPORTATION DEPT. OF U.S.



RATE OF RETURN ON BOOK INVESTMENT
 CLASS-I LINE-HAUL RAILWAYS 1930-1944

FIGURE 21.

TABLE 151.—Operating ratio, class I line haul railways, by regions or districts, 1933-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1933.....	72.5	75.0	55.8	75.1	1938.....	77.0	75.9	60.1	78.2
1934.....	74.5	77.2	57.7	76.8	1939.....	73.0	73.8	56.3	75.6
1935.....	74.2	79.7	56.2	77.8	1940.....	72.2	74.2	55.0	73.7
1936.....	72.4	74.1	52.3	75.0	1941.....	70.2	67.7	52.8	69.3
1937.....	75.2	75.6	56.2	77.2					

¹ From Interstate Commerce Commission, Statistics of Railways.

With the exception of 1938 and 1941, the operating ratios of the Southern roads were less favorable than those of the Northern roads. If the freight operating ratios alone are considered, however, the ratios of the Southern and the Eastern roads were very close together, with the Southern roads showing a more favorable ratio in 4 out of the 9 years. These figures are shown in table 152 and figure 23.

TABLE 152.—Freight operating ratio, class I line-haul railways, by regions or districts, 1933-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1933.....	64.2	63.9	48.6	63.6	1938.....	69.0	66.7	53.6	67.1
1934.....	66.0	66.6	50.8	65.7	1939.....	64.9	65.0	50.7	65.0
1935.....	65.1	68.4	49.1	66.1	1940.....	63.9	65.3	49.8	63.0
1936.....	64.9	65.4	47.0	65.1	1941.....	63.0	61.1	48.1	61.0
1937.....	67.9	67.8	50.6	66.9					

¹ From Interstate Commerce Commission, Statistics of Railways.

The passenger operating ratios for the Southern Region were more unfavorable than for the Eastern District in each year during the period from 1933 to 1941, except in 1941. These figures are shown in table 153 and in figure 24.

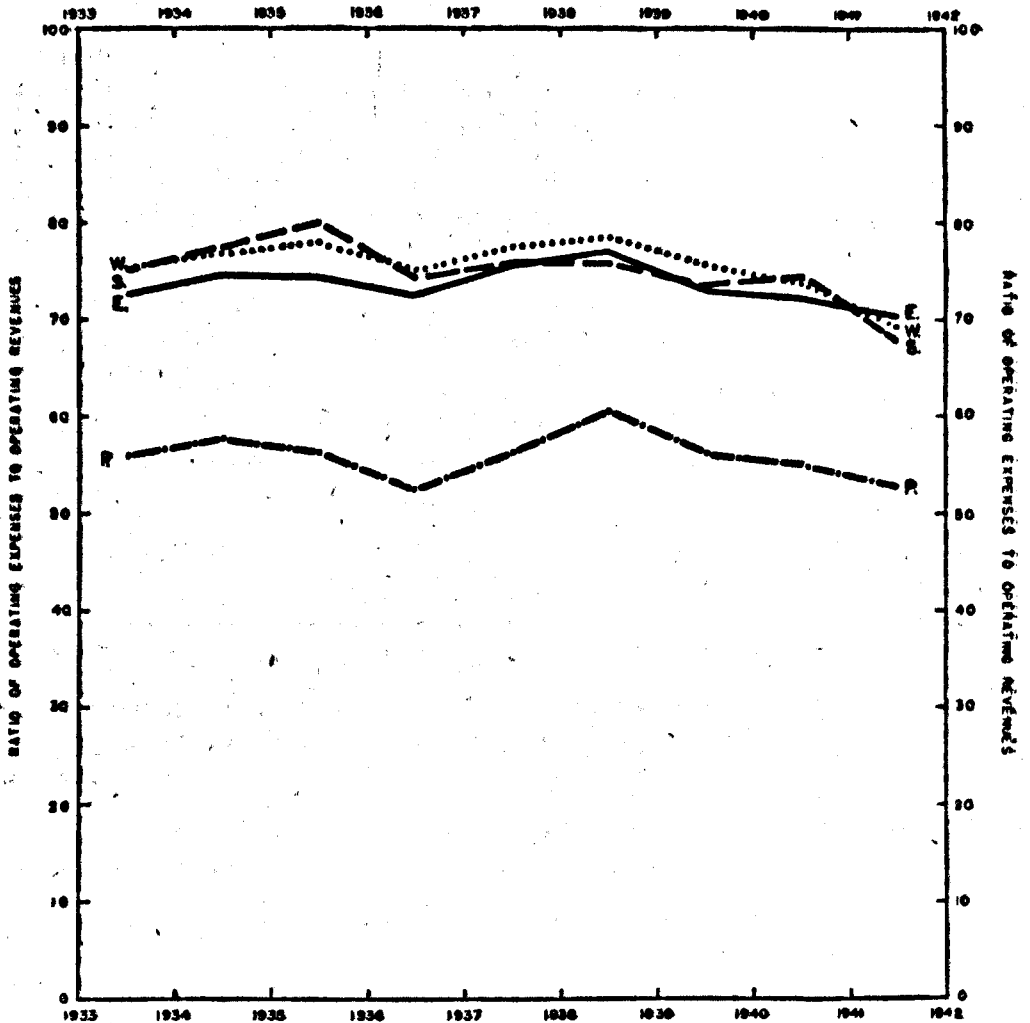
TABLE 153.—Passenger operating ratio, class I line-haul railways, by regions or districts, 1933-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1933.....	104.0	138.4	194.6	141.9	1938.....	107.4	124.9	168.0	139.0
1934.....	107.3	132.9	181.1	143.2	1939.....	108.0	125.5	158.1	136.6
1935.....	112.5	139.8	184.6	148.2	1940.....	112.4	125.0	154.0	135.5
1936.....	106.3	123.0	151.0	136.5	1941.....	109.5	105.1	124.0	123.1
1937.....	107.4	117.4	152.8	137.3					

¹ From Interstate Commerce Commission, Statistics of Railways.

In the regional comparisons given above the operating ratios, freight operating ratios, and passenger operating ratios were used. If, instead, the ratios of operating expenses, rents, and taxes, to operating revenues are used, and also the ratios of freight and passenger operating expenses, rents, and taxes, to freight and passenger

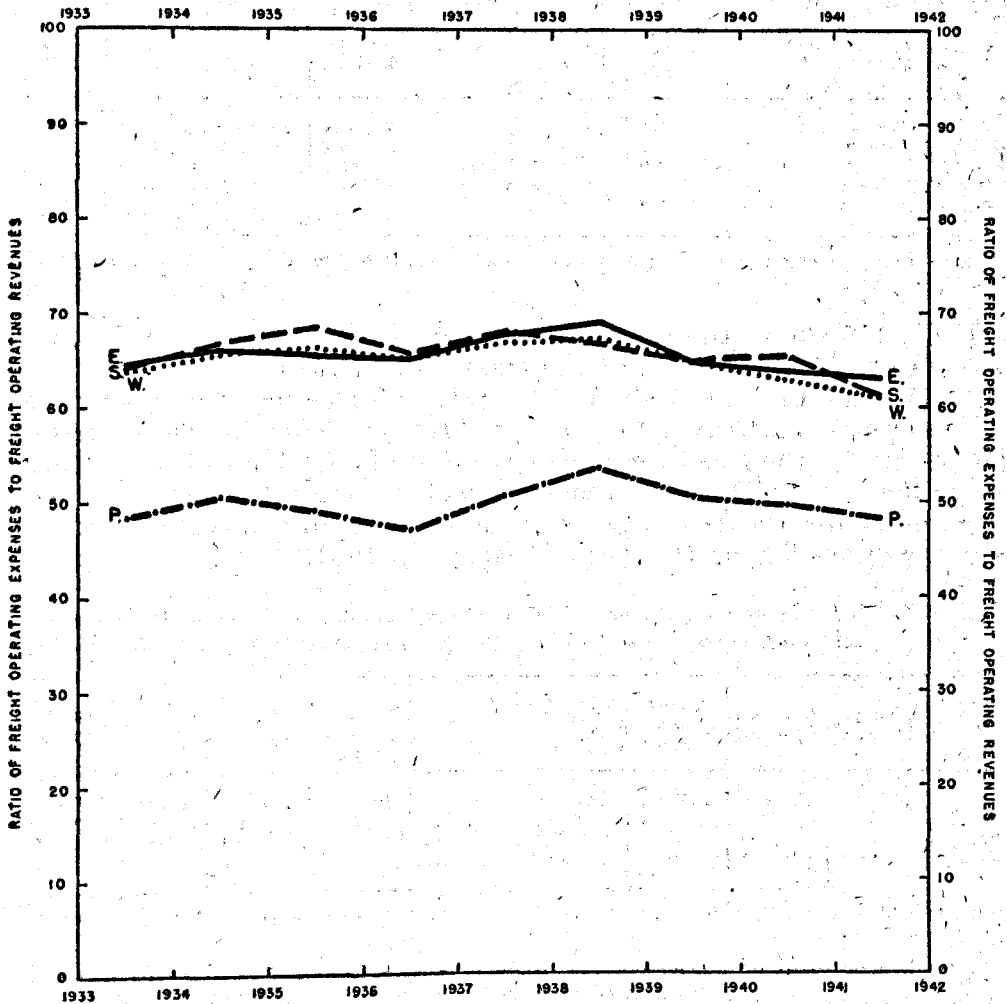
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OPERATING RATIO, CLASS-I LINE-HAUL RAILWAYS
 BY REGIONS OR DISTRICTS, 1933-1941

FIGURE 22.

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FREIGHT OPERATING RATIO, CLASS-I LINE-HAUL RAILWAYS
 BY REGIONS OR DISTRICTS, 1933-1941

FIGURE 23.

operating revenues, respectively, the Southern Region would compare even more favorably with Eastern District.

Table 154 shows the ratio of operating expenses, rents, and taxes to operating revenues of the class I line-haul railways from 1935 to 1941. The operating ratios of the Southern roads were more favorable in 4 out of the 7 years than the ratios of the Eastern roads, and the average of the 7-year period slightly favors the South.

TABLE 154.—Ratio of operating expenses, rents, and taxes to operating revenues, class I line-haul railways, by Regions or Districts, 1935-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1935.....	84.6	88.3	65.1	88.9	1939.....	85.4	84.5	67.7	88.2
1936.....	83.7	85.0	62.6	86.7	1940.....	84.5	85.0	69.0	86.0
1937.....	84.4	85.6	65.8	88.5	1941.....	83.0	80.1	70.8	81.5
1938.....	90.8	87.2	71.9	91.7					

¹ Interstate Commerce Commission, Statistics of Railways. Ratios for the years 1935 and 1936 were computed.

Table 155 shows the ratio of freight operating expenses, rents, and taxes, to freight revenues, of the class I line-haul railways from 1936 to 1941, and table 156 shows the ratio of passenger operating expenses, rents, and taxes to passenger revenues for the same period. The ratios for the freight service were more favorable to the Southern roads than to the Eastern roads in each year for the period shown. The ratios for the passenger service were more unfavorable to the Southern lines during this period, except in 1941.

TABLE 155.—Ratio of freight operating expenses, rents, and taxes to freight service operating revenues, class I line-haul railways, by regions or districts, 1936-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1936.....	75.2	74.2	55.9	75.5	1939.....	76.1	74.4	61.2	76.4
1937.....	77.9	75.9	59.5	77.2	1940.....	75.2	75.1	63.1	74.7
1938.....	81.4	76.8	64.3	79.1	1941.....	75.3	73.3	65.6	72.4

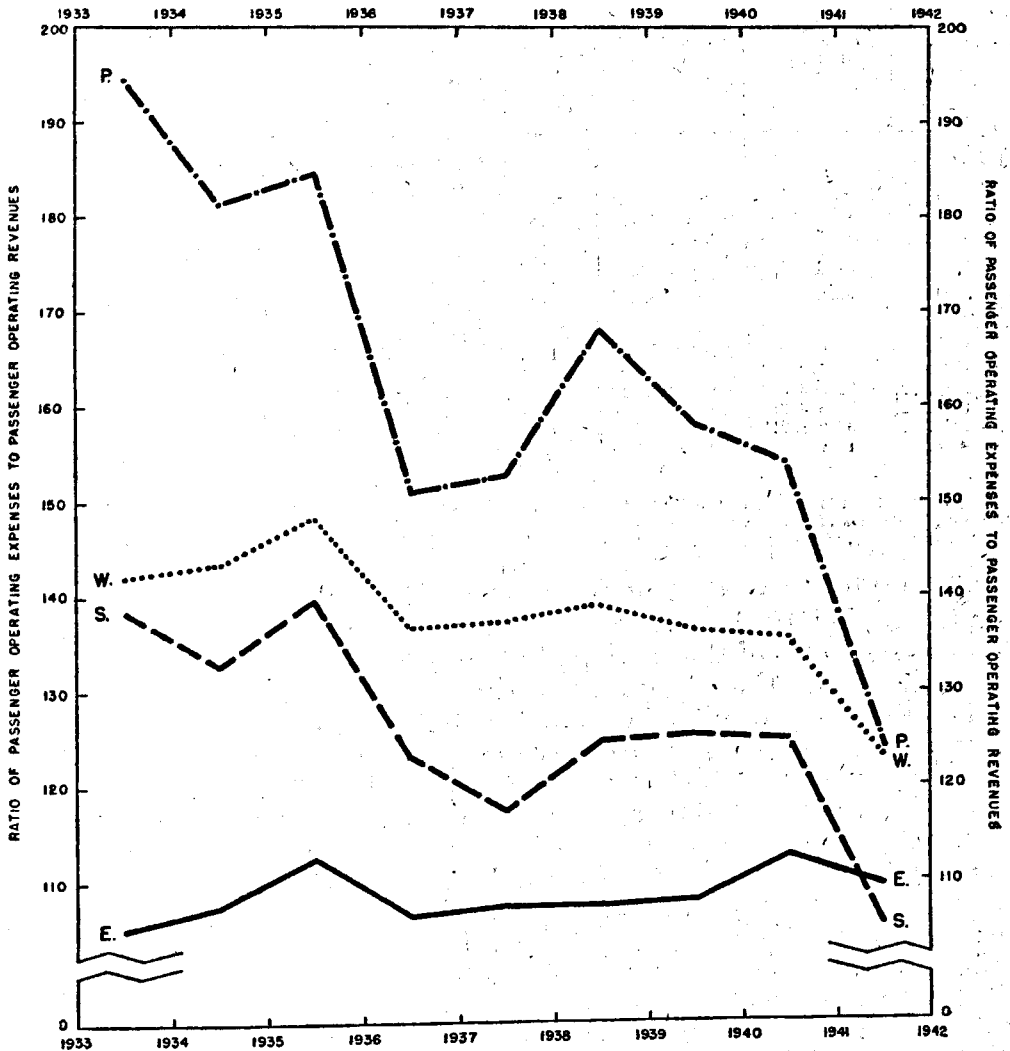
¹ Interstate Commerce Commission, Statistics of Railways. Ratios for the year 1936 were computed.

TABLE 156.—Ratio of passenger operating expenses, rents, and taxes to passenger operating revenues, class I line-haul railways, 1936-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1936.....	122.8	138.8	173.5	156.6	1939.....	125.4	143.2	184.6	157.1
1937.....	123.7	132.1	174.3	154.5	1940.....	129.8	142.0	179.1	155.5
1938.....	126.3	143.4	197.9	160.6	1941.....	124.9	118.4	146.0	140.7

¹ Includes allied services. Data from Interstate Commerce Commission, Statistics of Railways. Ratios for the year 1936 were computed.

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PASSENGER OPERATING RATIO, CLASS-I LINE-HAUL RAILWAYS
BY REGIONS OR DISTRICTS, 1933-1941

FIGURE 24.

The relative importance of the passenger operating deficit in the South and in the East can be seen from table 157, which shows the passenger operating deficits in the Eastern District, Southern Region, Pocahontas Region, and Western District, and their relation to book investment.

TABLE 157.—Passenger deficits in relation to book investment, class I line-haul railways, 1936-41

Year	Passenger deficit ¹	Book investment ²	Percent, passenger deficit of book investment	Year	Passenger deficit ¹	Book investment ²	Percent, passenger deficit of book investment
Eastern District:				Pocahontas Region:			
1936.....	\$74,519,980	\$9,062,198,651	0.82	1936.....	\$9,820,049	\$1,117,649,568	0.88
1937.....	80,410,240	9,784,121,774	.82	1937.....	10,147,802	1,131,289,637	.90
1938.....	81,707,341	9,664,299,496	.85	1938.....	11,670,718	1,127,073,510	1.04
1939.....	82,618,285	9,627,788,313	.86	1939.....	10,676,663	1,139,983,138	.94
1940.....	95,523,503	9,515,421,230	1.00	1940.....	10,850,126	1,162,870,950	.93
1941.....	90,012,049	9,645,373,897	.93	1941.....	8,773,022	1,157,545,464	.76
Southern Region:				Western District:			
1936.....	30,022,647	2,695,300,486	1.11	1936.....	118,947,072	9,599,772,378	1.24
1937.....	26,572,006	2,815,844,750	.94	1937.....	124,451,482	9,723,205,823	1.28
1938.....	32,063,676	2,819,210,944	1.14	1938.....	129,799,568	9,709,219,594	1.34
1939.....	32,393,219	2,831,645,701	1.14	1939.....	125,199,653	9,727,469,516	1.29
1940.....	33,918,215	2,828,279,783	1.20	1940.....	121,651,422	9,773,866,755	1.24
1941.....	19,473,599	2,897,607,879	.67	1941.....	107,714,070	9,901,815,122	1.09

¹ Net railway operating income (deficit) from passenger service as shown in Interstate Commerce Commission, Statistics of Railways.

² For definition of "book investment" see footnote 1, table 150.

The table shows that in the Eastern District the passenger deficit for the period 1936 to 1941 was generally less than 1 percent on the book investment of the carriers, but that in the South it was generally somewhat more than 1 percent of the book investment.

The foregoing discussion indicates that the financial results of railway operations in the South have not been generally unfavorable as compared with the East in recent years, and that although the ratios of operating expenses to revenues have been slightly unfavorable to the South relatively, the ratios of operating expenses, rents, and taxes to revenues have not been unfavorable, and also that the freight operating ratios, and ratios of freight operating expenses, rents, and taxes to freight operating revenues, have been favorable to the South. On the other hand, the passenger service has been somewhat less profitable in the South than in the East.

It does not appear, therefore, that the findings of the Edwards cost study that freight-service costs in the South are no higher than those in the East, or are slightly lower than those in the East, is at variance with the financial results of railway operations.

E. RECONCILIATION OF WESTERN COSTS WITH EARNINGS OF WESTERN RAILROADS

The alleged inconsistency between the findings of the Edwards Study and the financial results of railway operations which has been raised in connection with the South can be raised with even more plausibility in connection with the West. The average rate level in the West has been estimated to be between 16 and 17 percent higher

than the Eastern level.¹⁴ The higher level of rates in the West, however, is offset to some extent by a lower level of passenger fares. Table 149 indicates that the level of passenger fares is somewhat lower in the West than in the East or South. Railroad costs in the West, however, are estimated to be from 6 to 9 percent higher than costs in the East. In view of the higher rate level in the West, one might expect that the operations of the railroads in the West would show a better return on investment than is shown by the Eastern and Southern railroads. Exactly the opposite situation exists. Table 150 showed that from 1930 to 1941 the Western railroads, in every year, earned a smaller return on book investment than the Eastern Railroads, and also a lower return than the Southern roads, except in the years 1930 and 1931.

A somewhat different picture is obtained, however, if the book values in the various rate territories are adjusted to bring them into relation to the Bureau of Valuation's estimate of original cost less depreciation, and of cost of reproduction less depreciation. The estimates referred to are figures as of January 1, 1940, submitted by the Bureau as evidence in *Ex Parte 148*. The original-cost estimates were not depreciated by the Bureau of Valuation. They have been depreciated for the purpose of this study by reducing the original cost in the same proportion that cost of reproduction new was reduced to obtain cost of reproduction less depreciation.

The resulting figures were compared with the recorded book investment of property used in transportation service, less accrued depreciation, plus cash, materials, and supplies as of December 31, 1939. It was found that the original cost less depreciation constituted 74 percent of book value in the Eastern District, 74.36 percent in the Southern Region, 70.75 percent in the Pocahontas Region, and 68.13 percent in the Western District. In other words, the Bureau's estimate of original cost less depreciation cut the book investment figures in the Western District more than it did elsewhere. The Bureau's estimate of cost of reproduction less depreciation constituted 80.11 percent of the book investment figure in the Eastern District, 81.94 percent in the Southern Region, 74.82 percent in the Pocahontas Region, and 76.53 percent in the Western District. Thus the estimate of cost of reproduction less depreciation also cut the book investment of the Western District more than of Eastern District and Southern Region, but less than of the Pocahontas Region. These percentages were applied to the book investment figures for the period from 1930 to 1941 for the purpose of making a correction of the book investment figures and recalculating the rates of return. It should not be inferred that either the original-cost basis or the cost-of-reproduction basis necessarily represents value for rate-making purposes. Both are recognized as elements of value, to be given such weight as may be just and right in arriving at fair value.

The effect of using either set of figures for the purpose of recomputing the rates of return on investment earned by the railroads in the various areas referred to is to bring the earnings of the several groups somewhat closer together. Table 158 shows the rate of return of class I line-haul railways on the estimated original cost-less-depreciation basis for the years 1930 to 1941.

¹⁴ See page 152, *supra*, for the method used in making the estimate referred to and its limitations.

INTERTERRITORIAL FREIGHT RATES

TABLE 158.—Rate of return on estimated original-cost-less-depreciation basis, class I line-haul railways, by Districts or Regions, 1930-41

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1930.....	3.20	4.11	10.70	3.04	1936.....	4.31	4.00	12.29	3.07
1931.....	3.01	2.08	8.63	3.16	1937.....	3.42	3.54	10.73	2.76
1932.....	2.29	1.23	7.57	1.27	1938.....	1.90	2.87	7.43	1.78
1933.....	3.16	2.90	8.99	2.06	1939.....	2.55	2.78	9.70	2.69
1934.....	3.07	2.69	8.80	2.07	1940.....	4.14	3.90	10.31	3.37
1935.....	3.50	2.31	9.79	2.17	1941.....	3.56	6.44	11.24	3.50

Table 159 shows the rate of return computed on the estimated cost-of-reproduction-less-depreciation basis.

TABLE 159.—Rate of return on estimated cost-of-reproduction-less-depreciation basis, class I line-haul railways, by Districts or Regions, 1930-41

Year	Eastern District	Southern Region	Pocahontas Region	Western District	Year	Eastern District	Southern Region	Pocahontas Region	Western District
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1930.....	4.80	3.73	10.12	4.49	1936.....	3.98	3.63	11.62	2.74
1931.....	2.78	1.89	8.16	2.81	1937.....	3.16	3.21	10.14	2.46
1932.....	2.12	1.12	7.16	1.13	1938.....	1.76	2.61	7.02	1.58
1933.....	2.92	2.64	8.60	1.84	1939.....	3.29	3.43	9.17	2.39
1934.....	2.84	2.44	8.32	1.85	1940.....	3.82	3.54	9.75	3.00
1935.....	3.23	2.09	9.26	1.93	1941.....	3.13	3.84	10.63	4.90

The computation of the rate of return on the original-cost-less-depreciation basis and on the cost-of-reproduction-less-depreciation basis still shows the Western railroads earning less than the Eastern, except in 1931. On both the original-cost-less-depreciation and cost-of-reproduction-less-depreciation bases the Western rate of return is brought somewhat closer to the rate of return earned by the Eastern lines. This fact is brought out by table 160, which shows the relation of the Western rate of return to the Eastern when the return is computed on the three different bases. The Western rate of return, computed on the basis of either estimated original cost less depreciation, or on the basis of estimated cost of reproduction less depreciation, is

TABLE 160.—Ratios of Western District rate of return, class I line-haul railways, to Eastern District rate of return when computed on book investment and on estimated original-cost-less-depreciation basis, and on cost-of-reproduction-less-depreciation basis, 1930-41¹

[Eastern District=100]

Year	Book investment basis	Original-cost-less-depreciation basis	Cost-of-reproduction-less-depreciation basis	Year	Book investment basis	Original-cost-less-depreciation basis	Cost-of-reproduction-less-depreciation basis
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1930.....	89.4	96.9	93.5	1937.....	74.3	80.1	77.9
1931.....	96.4	105.0	101.1	1938.....	85.8	93.7	89.8
1932.....	51.2	55.5	53.3	1939.....	69.6	75.8	72.9
1933.....	60.3	65.2	63.0	1940.....	74.8	81.4	78.5
1934.....	62.1	67.4	65.1	1941.....	91.2	98.9	95.3
1935.....	57.1	62.0	59.8	Average..	74.4	81.1	78.0
1936.....	65.5	71.2	68.9				

¹ Computed from tables 150, 158, and 159.

substantially lower than the Eastern rate of return. For the 12-year period, 1930-1941, the Western rate of return averaged 74.4 percent of the Eastern when computed on the book investment basis, 81.1 percent of the Eastern rate of return when computed on the original-cost-less-depreciation basis, and 78.0 percent of the Eastern rate of return when computed on the cost-of-reproduction-less-depreciation basis.

The extent to which the lower rate of return in the Western District may be attributable to the unprofitableness of passenger traffic requires examination. Table 151, above, shows that the operating ratio of the railroads in the Western District was more unfavorable than that of the Eastern railroads except in 1941. Table 154, above, shows that the ratio of operating expenses, rents, and taxes, to operating revenues was also unfavorable to the Western lines during the period 1935-1941, except in 1941. If the freight operating ratios and the passenger operating ratios are considered separately it appears that the freight service in the Western District makes a showing as favorable as that of the Eastern roads. Table 152, above, indicates that in the 9-year period, 1933-1941, the freight operating ratio in the Western District was more favorable than in the Eastern District in 6 years. Table 155, above, shows that if the ratios of freight operating expenses, rents, and taxes, to freight operating revenues in the Western and Eastern Districts are compared for the 6 years for which the data are readily available, the Western District shows a more favorable ratio in 4 out of the 6 years. In the years in which the Western ratios were unfavorable the difference between the Western and Eastern ratios was slight. The passenger operating ratios, on the other hand, are consistently less favorable in the Western District than in the Eastern District or in the Southern Region, as is shown by table 153, above. Table 156, above, shows the same situation if the ratios of passenger operating expenses, rents, and taxes to passenger operating revenues are compared.

The passenger deficits in the Western District for the years 1936 to 1941 are shown in table 157, above. It will be seen that they amounted to considerably more than 1 percent on "book investment," while the Eastern passenger deficits were generally less than 1 percent on "book investment." The average for the 6-year period in the Eastern District was slightly under 1 percent; in the Western District it was 1.25 percent.

The combined effects of the higher passenger deficits in the West, and of the fact that "book values" in the West are somewhat higher than in the East in relation to estimated original cost less depreciation and estimated cost of reproduction less depreciation, are shown in tables 161 and 162. In the construction of these tables the passenger deficit in Eastern District, Southern Region, Pocahontas Region, and Western District, was expressed as a percent of estimated original cost less depreciation, and of estimated cost of reproduction less depreciation. These amounts were added to the actual rate of return earned on the same bases. This procedure was followed in order to determine what rate of return would have been earned on the original cost-less-depreciation and cost-of-reproduction-less-depreciation bases, if there had been no passenger deficit.

TABLE 161.—Rate of return on estimated original cost less depreciation, class I line-haul railways, by regions or districts, 1936-41, which would have been earned if there had been no passenger deficits¹

Year	Eastern District		Southern Region		Pocahontas Region		Western District	
	Constructive rate of return	Percent of Eastern	Constructive rate of return	Percent of Eastern	Constructive rate of return	Percent of Eastern	Constructive rate of return	Percent of Eastern
1936.....	5.42	100	5.80	101.49	13.53	249.63	4.89	90.22
1937.....	4.53	100	4.81	106.19	12.00	264.90	4.94	102.43
1938.....	3.04	100	4.40	144.74	8.89	292.43	3.74	123.01
1939.....	4.71	100	5.32	112.95	11.02	233.97	4.59	97.24
1940.....	5.50	100	5.51	100.18	11.63	211.45	5.20	94.53
1941.....	6.82	100	7.35	107.62	12.31	180.50	7.10	104.11
Average.....	5.00	100	5.48	109.60	11.56	231.20	5.03	100.60

¹ Computed.

TABLE 162.—Rate of return on estimated cost of reproduction less depreciation, class I line-haul railways, by regions or districts, 1936-41, which would have been earned if there had been no passenger deficits¹

Year	Eastern District		Southern Region		Pocahontas Region		Western District	
	Constructive rate of return	Percent of Eastern	Constructive rate of return	Percent of Eastern	Constructive rate of return	Percent of Eastern	Constructive rate of return	Percent of Eastern
1936.....	5.01	100	4.99	99.60	12.79	255.29	4.34	87.03
1937.....	4.19	100	4.36	104.06	11.34	270.64	4.13	98.57
1938.....	2.82	100	4.00	141.84	8.40	297.87	3.33	118.09
1939.....	4.34	100	4.83	111.03	10.42	239.54	4.07	93.56
1940.....	5.07	100	5.00	98.62	11.00	216.96	4.63	91.32
1941.....	6.29	100	6.66	105.88	11.64	185.06	6.32	100.46
Average.....	4.62	100	4.97	107.58	10.93	236.58	4.47	96.75

¹ Computed.

These tables show that on the original cost-less-depreciation basis the elimination of the passenger deficit would have made the average rate of return of the Western railroads over the 6-year period practically the same as that of the Eastern roads. On the cost-of-production-less-depreciation basis the Western rate of return over the 6-year period would have been slightly below that of the Eastern roads.

It should be recognized that placing the responsibility for the lower actual rate of return in the Western District on the passenger business does not mean either that the passenger fares should have been higher, or that the freight business may not have to bear part of the expenses which had been allocated to the passenger business. Higher passenger fares might, prior to the war, have reduced the volume of travel and increased the passenger deficit. To require the freight business to make up deficiencies in passenger income might appear to be unfair in that it would make the freight service bear part of the expenses which should be borne by the passenger business, but it should be recognized that the apportionment of expenses between freight and passenger business that are incurred in common for both, however reasonable and logical the apportionment may be, may not be an apportionment that the traffic will bear. If the passenger traffic will not bear the share of expenses apportioned to it, it must be collected from the users of the freight service, or not collected at all.

F. REGIONAL DIFFERENCES AND INDIVIDUAL RAILROAD DIFFERENCES IN COSTS

The Edwards cost study, as well as other cost studies which we have mentioned, shows comparatively small differences in regional railroad transportation costs. It is well known that the differences in costs between individual railroads are much greater than the regional differences in costs. Dr. Lorenz noted this point in the 1930 study entitled "Territorial Variation in the Cost of Carload Freight Service on Steam Railways in the United States for the Year 1928," in the following language: "If the method of analysis above used is applied to individual railways, it will be found that there are wide variations in cost among the railways within any one of the groups. In fact, the differences in cost between railways which are ignored in the present rate structures are probably greater than the differences between the averages for groups of railways." 15 The same point was made in the 1938 study of the Bureau of Statistics. See Statement No. 3812, Territorial Variation in the Cost of Carload Freight Service on Class I Steam Railways in the United States for the Calendar Year 1936, page 14.

If the Edwards cost formula is applied to the operations of individual railways the same situation is revealed that Dr. Lorenz noted. Table 163 lists individual railroad costs, under cost level II, of transporting freight 300 miles in boxcars with a load of 25 tons, computed under the Edwards formula. The formula used by Dr. Edwards, although it was applied to individual railroads before the territorial averages were computed, was developed for the purpose of finding regional average costs, and some further modifications or adjustments would be necessary to give accurate results for individual railroads. With all due allowance for errors from this cause the table shows a wide variation in costs on different railroads. This is also shown in figure 25, in which the costs by individual railroads are shown, with the railroads arranged in order of their costs from the highest to the lowest. This analysis was confined to the larger railroads. With one exception they are roads operating 200 miles of line or more. If all of the smaller class I roads had been included, the variations in costs shown would have been even greater, since there is a tendency for the smaller roads to have either very high or very low costs.

TABLE 163.—Individual railroad costs, 25 tons in boxcars, 300-mile haul, Edwards' cost formula, 1939

Railroad (identifying number) ¹	Territory ²	Cost in cents per 100 pounds			Railroad (identifying number) ¹	Territory ²	Cost in cents per 100 pounds		
		Line-haul 300 miles	Terminal	Terminal and line-haul			Line-haul 300 miles	Terminal	Terminal and line-haul
1.....	E.....	22.456	3.872	26.328	9.....	MP.....	10.911	4.995	15.906
2.....	E.....	17.204	4.204	21.408	10.....	E.....	12.775	3.020	15.795
3.....	E.....	12.423	5.270	17.693	11.....	E.....	11.125	4.482	15.607
4.....	SW.....	14.154	3.209	17.363	12.....	S.....	11.202	4.297	15.499
5.....	SW.....	13.675	3.230	16.905	13.....	SW.....	11.862	3.553	15.415
6.....	WTL.....	13.584	3.275	16.859	14.....	E.....	11.961	3.216	15.177
7.....	NE.....	13.122	3.406	16.528	15.....	S.....	11.052	3.986	15.038
8.....	WTL.....	12.197	4.198	16.395	16.....	WTV.....	11.506	3.357	14.863

Footnotes at end of table.

¹ P. 8.

INTERTERRITORIAL FREIGHT RATES

TABLE 163.—Individual railroad costs, 25 tons in boxcars, 300-mile haul, Edwards cost formula, 1939—Continued

Railroad (identifying number) ¹	Territory ²	Cost in cents per 100 pounds			Railroad (identifying number) ¹	Territory ²	Cost in cents per 100 pounds		
		Line-haul 300 miles	Terminal	Terminal and line- haul			Line-haul 300 miles	Terminal	Terminal and line- haul
17.....	SW.....	11.753	2.075	14.828	71.....	E.....	6.687	4.854	11.541
18.....	E.....	10.632	4.018	14.650	72.....	NE.....	7.412	4.128	11.540
19.....	MP.....	11.744	2.281	14.025	73.....	E.....	6.579	4.908	11.487
20.....	NE.....	11.554	2.043	14.597	74.....	E.....	7.299	4.179	11.478
21.....	SW.....	11.618	2.764	14.382	75.....	WTL.....	7.982	2.282	11.364
22.....	E.....	8.778	5.838	14.616	76.....	SW.....	8.238	2.931	11.269
23.....	SW.....	8.957	5.230	14.187	77.....	E.....	6.240	5.016	11.256
24.....	S.....	11.049	2.281	13.930	78.....	E.....	8.553	2.676	11.229
25.....	SW.....	9.308	4.570	13.878	79.....	E.....	7.426	3.732	11.158
26.....	E.....	8.088	5.707	13.855	80.....	E.....	6.201	4.878	11.079
27.....	MP.....	9.934	2.760	13.694	81.....	S.....	7.749	3.295	11.044
28.....	E.....	10.484	2.184	13.668	82.....	MP.....	6.982	4.075	11.037
29.....	E.....	10.173	3.475	13.648	83.....	WTL.....	7.034	3.858	10.893
30.....	NE.....	9.327	4.251	13.578	84.....	S.....	7.201	3.684	10.885
31.....	WTL.....	9.648	2.844	13.492	85.....	S.....	7.805	3.030	10.835
32.....	S.....	10.259	2.182	13.441	86.....	WTL.....	7.148	3.647	10.795
33.....	E.....	9.341	4.044	13.385	87.....	S.....	7.221	3.564	10.785
34.....	E.....	8.211	5.062	13.303	88.....	WTL.....	7.421	3.349	10.770
35.....	S.....	9.828	3.404	13.232	89.....	MP.....	6.718	4.001	10.717
36.....	WTL.....	9.763	2.401	13.164	90.....	WTL.....	6.716	3.919	10.638
37.....	E.....	7.504	5.568	13.072	91.....	S.....	8.416	2.298	10.624
38.....	S.....	8.508	4.439	12.947	92.....	E.....	6.858	3.703	10.561
39.....	WTL.....	8.631	4.303	12.934	93.....	E.....	7.862	2.659	10.521
40.....	MP.....	9.842	2.081	12.923	94.....	S.....	6.970	3.642	10.612
41.....	WTL.....	8.879	3.939	12.818	95.....	S.....	6.849	3.650	10.499
42.....	E.....	8.389	4.384	12.773	96.....	S.....	6.825	3.600	10.426
43.....	WTL.....	7.921	4.730	12.651	97.....	SW.....	7.388	3.034	10.422
44.....	E.....	7.675	4.949	12.624	98.....	S.....	7.266	3.120	10.386
45.....	MP.....	10.328	2.259	12.587	99.....	E.....	7.238	3.086	10.304
46.....	SW.....	8.526	3.975	12.501	100.....	S.....	6.686	3.534	10.220
47.....	SW.....	9.718	2.782	12.500	101.....	MP.....	6.473	3.716	10.189
48.....	SW.....	8.018	4.468	12.486	102.....	SW.....	6.732	3.428	10.160
49.....	MP.....	9.212	2.261	12.473	103.....	S.....	7.001	3.118	10.119
50.....	WTL.....	8.247	4.187	12.434	104.....	S.....	6.667	3.442	10.109
51.....	NE.....	9.814	2.603	12.417	105.....	SW.....	6.746	3.233	9.979
52.....	E.....	9.048	3.316	12.364	106.....	MP.....	6.353	3.416	9.769
53.....	MP.....	8.504	3.772	12.276	107.....	E.....	8.778	3.981	9.759
54.....	NE.....	9.429	2.811	12.240	108.....	S.....	6.456	3.149	9.604
55.....	WTL.....	9.288	2.938	12.226	109.....	WTL.....	6.220	3.308	9.528
56.....	E.....	7.049	5.154	12.203	110.....	P.....	7.402	2.106	9.506
57.....	MP.....	7.809	4.337	12.146	111.....	P.....	6.007	3.411	9.418
58.....	NE.....	7.983	4.122	12.105	112.....	E.....	8.808	3.551	9.359
59.....	SW.....	8.081	3.954	12.036	113.....	SW.....	6.874	2.689	9.243
60.....	WTL.....	7.329	4.686	12.015	114.....	E.....	5.727	3.522	9.249
61.....	E.....	6.572	5.264	11.836	115.....	P.....	6.024	3.008	9.032
62.....	E.....	8.011	3.804	11.815	116.....	S.....	6.002	2.754	8.756
63.....	SW.....	7.507	4.309	11.813	117.....	S.....	5.881	2.744	8.636
64.....	WTL.....	7.600	4.212	11.812	118.....	SW.....	6.201	2.345	8.546
65.....	S.....	8.955	2.842	11.797	119.....	P.....	5.492	2.977	8.469
66.....	E.....	8.607	2.159	11.766	120.....	E.....	4.772	3.674	8.446
67.....	MP.....	6.659	4.971	11.630	121.....	MP.....	6.086	2.284	8.370
68.....	S.....	7.218	4.409	11.627	122.....	S.....	5.511	1.872	7.383
69.....	E.....	6.518	5.072	11.599	123.....	S.....	5.760	1.477	7.237
70.....	SW.....	7.201	4.377	11.578					

¹ Rank in order of cost from highest to lowest.

² E means Eastern; S, Southern; NE, New England; P, Pocahontas; WTL, Western Trunk-Line; SW, Southwestern; MP, Mountain-Pacific.

Board of Investigation and Research
TRANSPORTATION ACT OF 1940

INDIVIDUAL RAILROAD COSTS-- EDWARDS' COST FORMULA
(CARLOAD OPERATING EXPENSES, RENTS AND TAXES--
25 TONS IN BOX CARS, 300 MILE HAUL, 1939)

KEY
N.E.-- NEW ENGLAND
E.-- EASTERN, EXCLUDING N.E.
S.W.-- SOUTHWESTERN
W.T.L.-- WESTERN TRUNK-LINE
M.P.-- MOUNTAIN-PACIFIC
S.-- SOUTHERN
P.-- POCAHONTAS

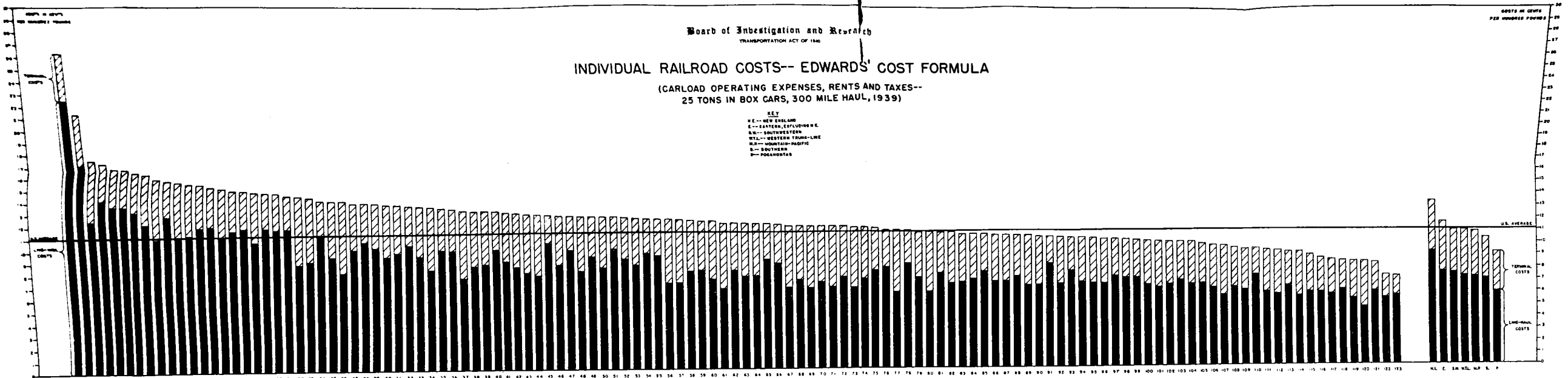


FIGURE 25

Board of Investigation and Research
TRANSPORTATION ACT OF 1940

INDIVIDUAL RAILROAD COSTS-- EDWARDS' COST FORMULA
(CARLOAD OPERATING EXPENSES, RENTS AND TAXES--
25 TONS IN BOX CARS, 300-MILE HAUL, 1939)

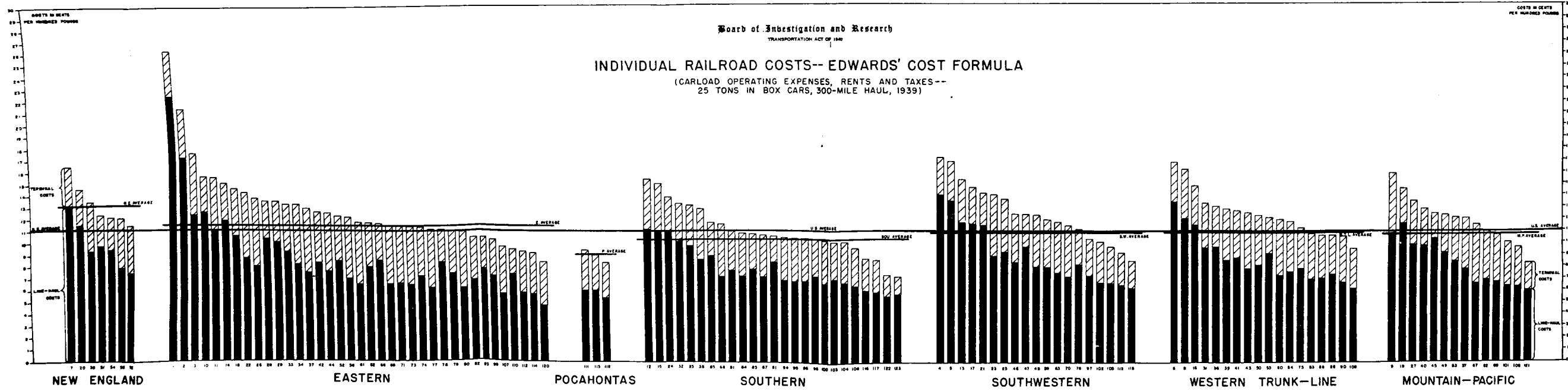


FIGURE 26

In figure 26, the same railroads have been grouped according to the region in which they operate. Regional averages and the United States average are both shown. Figure 26 brings out certain facts that are of importance in connection with the study of the interterritorial freight-rate problem. The first is the fact, previously mentioned, that the regional average costs are close to the United States average, in all regions except in New England and in the Pocahontas Region.

The chart also indicates a wide variation in costs within every region except in the Pocahontas Region, a variation far exceeding the difference between the highest and lowest regional averages.

It is also noticeable that in New England there is no railroad shown with a cost as low as the United States average, nor is there an individual road in the Pocahontas group with a cost as high as the United States average. In all other regions there are a number of railroads with costs above the United States average, and also some with costs below the United States average.

Another fact which the chart brings out is that although there are numerous railroads whose costs are fairly close to the regional average, there are also numerous roads with costs which are substantially above or below the regional average.

Figures 25 and 26 do not give any indication of the sizes of the different railroads the costs of which are shown. As a matter of fact, the larger railroads have costs that are closest to the regional average. This situation naturally results from the fact that the average cost for a region is really a weighted average, and the larger the railroad the greater is its influence on the average. Not only are the costs of larger railroads close to the regional average, but their individual costs are fairly close together. The extremely high-cost roads, and the extremely low-cost roads are generally small. The reason for the greater approach to uniformity in costs among the larger railroads is to be explained by the fact that such roads have some very profitable lines and some unprofitable lines. In other words, the system average conceals many variations in cost within the system. If the larger systems were broken up into smaller roads, wide variations in cost would appear. Conversely, if many of the small carriers which we now have were consolidated with larger roads some of the extreme variations in cost shown in figures 25 and 26 would disappear, not necessarily because of any changes in their costs, but because their revenues and expenses would be thrown in with those of other parts of the consolidated system.

Table 163 and figures 25 and 26 showed individual railroad costs of transporting 25 tons in boxcars for 300 miles. Individual railroad costs of transporting freight in other types of equipment, and with other loads, will show similar variations in cost but the position of the roads, when ranked in order of their costs, will not be the same.

If further proof is desired of the wide variation among railroads in freight service costs it may be found in statement No. 3120 issued by the Bureau of Statistics of the Interstate Commerce Commission in 1931 under the title: "Variation in Cost of Railway Freight Service Among Class I Steam Railways: 1928." Table 164, constructed from a table in the study referred to, shows the variations.

TABLE 164.—Variation in cost of railway freight service among class I steam railways, 1928

DOUBLE TERMINAL COST; AND LINE-HAUL COST FOR 300 MILES:

Territory and road	Gross ton-mile basis (55 gross tons)		Loaded car-mile basis	
	Cost per carload	Relative cost (U. S.— 100)	Cost per carload	Relative cost (U. S.— 100)
New England Region:				
Atlantic & St. Lawrence.....	\$110.52	150.7	\$118.57	151.0
Bangor & Aroostook.....	107.52	146.6	108.99	139.0
Boston & Maine.....	85.24	116.2	80.57	103.2
Canadian Pacific (lines in Maine).....	78.20	104.6	78.23	100.2
Canadian Pacific (lines in Vermont).....	95.31	124.9	86.83	111.2
Central Vermont.....	68.39	93.2	61.66	79.0
Maine Central.....	86.59	118.0	82.62	105.0
New York Connecting.....	95.28	129.9	94.08	120.5
New York, New Haven & Hartford.....	83.42	113.7	81.41	104.3
Rutland.....	79.25	108.0	78.38	96.0
Great Lakes Region:				
Ann Arbor.....	67.96	92.6	72.44	92.8
Buffalo, Rochester & Pittsburgh.....	66.56	90.7	79.91	102.4
Delaware & Hudson.....	66.39	90.5	71.82	92.0
Delaware, Lackawanna & Western.....	78.57	107.1	79.56	101.9
Detroit & Mackinac.....	93.74	127.5	100.92	129.3
Detroit & Toledo Shore Line.....	52.64	71.8	62.82	80.5
Erie (including Chicago & Erie).....	64.65	84.1	67.57	86.6
Grand Trunk System-Western Lines.....	56.62	77.2	56.27	72.1
Lehigh & Hudson River.....	42.41	57.8	60.33	64.5
Lehigh & New England.....	65.85	89.8	90.24	115.6
Lehigh Valley.....	77.83	106.1	81.34	104.2
Michigan Central.....	59.61	81.3	60.45	77.5
Mononahela.....	68.24	93.0	108.92	139.6
Montour.....	110.85	151.1	170.07	217.0
New Jersey & New York.....	776.06	1,057.9	876.84	1,123.4
New York Central (including Boston & Albany).....	74.25	101.2	78.07	100.0
New York, Chicago & St. Louis.....	58.45	79.7	59.03	75.6
New York, Ontario & Western.....	80.30	109.5	88.02	112.5
New York, Susquehanna & Western (including Wilkes Barre & Eastern).....	155.81	212.4	195.74	250.5
Pere Marquette.....	67.42	91.9	70.37	90.2
Pittsburgh & Lake Erie.....	60.48	84.7	62.95	119.1
Pittsburgh & Shawmut.....	108.65	148.1	177.73	227.7
Pittsburgh & West Virginia.....	115.29	157.2	140.34	179.8
Pittsburgh, Shawmut & Western.....	92.48	126.1	135.23	173.3
Ulster & Delaware.....	187.81	256.0	230.41	295.2
Wabash.....	64.33	87.7	65.48	83.9
Central Eastern Region:				
Akron, Canton & Youngstown.....	87.14	118.8	86.87	111.3
Atlantic City.....	224.88	306.5	235.98	302.3
Baltimore & Ohio.....	70.32	95.9	79.14	101.4
Bessemer & Lake Erie.....	55.65	75.9	75.49	96.7
Buffalo & Susquehanna Railroad Corporation.....	98.95	130.8	134.99	173.0
Central R. R. of New Jersey.....	81.40	111.0	95.00	121.7
Chicago & Eastern Illinois.....	62.01	84.5	66.03	84.6
Chicago & Illinois Midland.....	77.73	106.0	102.88	131.8
Chicago, Indianapolis & Louisville.....	64.31	87.7	72.83	93.3
Cincinnati Northern.....	53.65	72.3	67.00	85.8
Cleveland, Cincinnati, Chicago & St. Louis.....	57.70	78.7	63.83	81.8
Detroit, Toledo & Ironton.....	89.91	122.6	100.48	128.7
Elgin, Joliet & Eastern.....	51.30	69.9	61.46	78.5
Evansville, Indianapolis & Terre Haute.....	63.89	87.1	93.72	120.1
Hocking Valley.....	44.08	60.1	59.54	76.3
Illinois Terminal.....	77.94	106.2	112.89	144.6
Long Island.....	148.09	201.9	174.32	223.3
Pennsylvania system.....	77.66	105.9	85.23	109.2
Perkiomen.....	65.44	89.2	71.09	91.1
Port Reading.....	95.10	129.6	145.80	186.8
Reading.....	65.15	88.8	78.79	98.4
Western Maryland.....	62.15	84.7	81.77	104.5
Wheeling & Lake Erie.....	71.27	97.2	83.71	109.8
Pocahontas Region:				
Chesapeake & Ohio.....	53.82	73.4	68.43	87.7
Norfolk & Western.....	56.59	77.1	73.72	94.5
Richmond, Fredericksburg & Potomac.....	45.62	62.2	46.79	59.9
Virginian.....	67.91	92.6	111.92	143.4

Footnote at end of table.

TABLE 164.—Variation in cost of railway freight service among class I steam railways, 1928—Continued

DOUBLE TERMINAL COST; AND LINE-HAUL COST FOR 300 MILES

Territory and road	Gross ton-mile basis (55 gross tons)		Loaded car-mile basis	
	Cost per carload	Relative cost (U.S.=100)	Cost per carload	Relative cost (U.S.=100)
Southern Region:				
Alabama Great Southern	\$50.24	68.5	\$52.22	66.9
Atlanta & West Point (including Western Railway of Alabama)	61.31	83.6	60.78	77.9
Atlanta, Birmingham & Coast	91.66	124.9	92.81	118.9
Atlantic Coast Line	82.34	112.2	83.24	106.6
Central of Georgia	70.10	95.6	68.75	88.1
Charleston & Western Carolina	70.53	96.1	77.85	99.7
Cincinnati, New Orleans & Texas Pacific	57.71	78.7	58.55	75.0
Chinchfield	62.15	84.7	70.11	89.8
Columbus & Greenville	118.22	161.1	127.71	163.6
Florida East Coast	144.97	197.6	153.56	198.7
Georgia	68.80	80.2	55.23	70.8
Georgia & Florida	94.13	128.3	89.12	114.2
Georgia Southern & Florida	72.19	98.4	73.57	94.3
Gulf & Ship Island	94.33	128.6	104.17	133.5
Gulf, Mobile & Northern	71.71	97.8	68.53	87.8
Illinois Central (including Yazoo & Mississippi Valley)	67.37	91.8	74.51	95.5
Louisville & Nashville	67.21	91.6	77.33	99.1
Louisville, Henderson & St. Louis	53.28	72.6	60.94	78.1
Mississippi Central	102.71	140.0	101.93	130.6
Mobile & Ohio	66.59	90.8	67.55	86.5
Nashville, Chattanooga & St. Louis	69.85	95.2	68.63	87.9
New Orleans & Northeastern	53.45	72.9	56.10	71.9
New Orleans Great Northern	77.49	105.6	76.53	98.1
Norfolk Southern	88.17	120.2	79.86	102.3
Northern Alabama	99.37	135.5	112.00	143.5
Seaboard Air Line	79.58	108.5	81.05	103.8
Southern Railway	69.88	95.3	70.96	90.9
Tennessee Central	94.57	128.9	106.60	136.6
Western Trunk-Line Railways:				
Chicago & Alton	66.25	90.3	70.55	90.4
Chicago & North Western	77.61	105.8	81.84	104.9
Chicago, Burlington & Quincy	75.80	103.3	79.11	101.4
Chicago Great Western	68.22	93.0	70.12	89.8
Chicago, St. Paul, Minneapolis & Omaha	78.28	106.7	78.97	101.2
Duluth & Iron Range	81.86	111.6	109.25	140.0
Duluth, Missabe & Northern	60.23	82.1	86.18	110.4
Duluth, South Shore & Atlantic	87.11	118.7	87.83	112.5
Duluth, Winnipeg & Pacific	68.44	93.3	69.29	88.8
Green Bay & Western	74.99	102.2	72.75	93.2
Lake Superior & Ishpeming	123.55	168.4	158.74	203.4
Minneapolis & St. Louis	75.17	102.5	78.77	100.9
Minneapolis, St. Paul & Sault Ste. Marie	77.56	105.7	77.11	98.8
Quincy, Omaha & Kansas City	180.48	246.0	178.12	228.2
St. Joseph & Grand Island	64.09	87.4	59.87	78.7
Mountain Pacific railways:				
Bingham & Garfield	278.53	379.7	463.81	594.2
Denver & Rio Grande Western	93.97	128.1	98.92	126.7
Denver & Salt Lake	120.05	163.6	148.35	190.1
Los Angeles & Salt Lake	109.63	149.4	114.92	147.2
Nevada Northern	103.83	141.5	142.60	182.7
Northwestern Pacific	200.43	273.2	198.58	254.4
Oregon Short Line	82.27	112.1	87.55	112.2
Oregon-Washington R. R. & Navigation Company	123.52	168.4	128.50	164.6
San Diego & Arizona	229.80	313.2	233.08	298.6
Southern Pacific	87.74	119.6	93.75	120.1
Spokane International	105.60	143.9	117.76	150.9
Spokane, Portland & Seattle	106.00	144.5	105.67	135.4
Utah	93.80	127.9	143.61	184.0
Western Pacific	95.26	129.9	99.25	127.2
Other Northwestern and Central Western railways:				
Atchison, Topeka & Santa Fe (including Panhandle & Santa Fe)	81.52	111.1	85.39	109.4
Chicago, Milwaukee, St. Paul & Pacific	77.74	106.0	81.43	104.3
Chicago, Rock Island & Gulf	54.35	74.1	61.26	78.5
Chicago, Rock Island & Pacific	76.33	104.0	79.97	102.5
Colorado & Southern	86.02	117.3	97.98	125.5
Fort Worth & Denver City	62.33	85.0	64.17	82.2
Great Northern	88.56	120.7	94.86	121.5
Northern Pacific	93.90	128.0	95.35	122.2
Toledo, Peoria & Western	76.18	103.8	80.47	103.1
Union Pacific	71.86	98.0	73.43	94.1

Footnote at end of table.

TABLE 164.—Variation in cost of railway freight service among class I steam railways, 1923—Continued

DOUBLE TERMINAL COST; AND LINE-HAUL COST FOR 300 MILES¹

Territory and road	Gross ton-mile basis (35 gross tons)		Loaded car-mile basis	
	Cost per carload	Relative cost (U. S.— 100)	Cost per carload	Relative cost (U. S.— 100)
Southwestern Region:				
Fort Smith & Western.....	\$108.04	147.3	\$107.24	137.4
Fort Worth & Rio Grande.....	107.78	146.9	112.37	141.0
Gulf Coast Lines.....	62.57	85.3	69.51	89.1
Gulf, Colorado & Santa Fe.....	64.71	93.7	73.69	94.4
International Great Northern.....	78.65	107.2	82.76	106.0
Kansas City, Mexico & Orient.....	52.87	71.4	57.89	74.2
Kansas City, Mexico & Orient of Texas.....	51.66	70.4	60.55	77.6
Kansas City Southern (including Texarkana and Fort Smith).....	62.23	84.8	67.13	86.0
Kansas, Oklahoma & Gulf.....	74.26	101.2	80.48	103.1
Louisiana & Arkansas.....	74.56	101.6	78.39	100.4
Louisiana Railway & Navigation Co.....	88.37	120.5	95.34	122.2
Louisiana Railway & Navigation Co. of Texas.....	91.53	124.8	95.22	122.0
Midland Valley.....	70.97	96.7	86.49	110.8
Missouri & North Arkansas.....	133.12	184.2	140.56	180.1
Missouri-Kansas-Texas Lines.....	77.42	105.5	81.62	104.6
Missouri Pacific.....	73.42	100.1	77.05	98.7
St. Louis-San Francisco.....	74.11	101.0	78.52	100.6
St. Louis, San Francisco & Texas.....	80.18	109.3	87.99	112.7
St. Louis Southwestern.....	73.57	100.8	73.03	93.6
St. Louis Southwestern of Texas.....	112.62	152.7	113.41	145.3
San Antonio, Uvalde & Gulf.....	79.91	108.9	94.31	120.8
Texas & New Orleans.....	86.89	118.0	89.60	114.5
Texas & Pacific.....	63.68	86.8	72.22	92.5
Texas Mexican.....	116.59	150.7	114.68	146.9
Trinity & Brazos Valley.....	92.91	126.6	96.48	123.6
Wichita Falls & Southern.....	148.56	202.5	154.07	210.2
Wichita Valley.....	140.59	191.6	135.43	173.5

¹ Taken from Interstate Commerce Commission, Bureau of Statistics, statement No. 3120, pp. 5-12.

The wide variation in individual railroad costs makes it clear that any rate structure based on regional or national average costs still leaves the country with the problem arising from inequality in earnings among the individual carriers. Rate making on the basis of average costs leaves some railroads with inadequate earnings, and others with larger earnings than they need. The impracticability of attempting to have different rate levels on different railroads, however, is generally recognized, although to a limited extent differentials for high-cost roads can be used.

The present inequality of earning power between individual railroads within a given area is obvious from an examination of the financial showing of individual railroads. Demonstration of this situation is afforded by a recent study of the Bureau of Statistics of the Interstate Commerce Commission published as statement No. 4142 and entitled: "Rate of Return on Value of Property of All Operating Steam Railway Companies, Calendar Year 1940." The figures in table 165 are taken from the Bureau's study.

TABLE 165.—Variations in rate of return on estimated value of property, class I line-haul railways, by regions or districts, 1940¹

	Rate-making value Jan. 1, 1940 ²	Net railway operating income 1940	Rate of return on value (per cent)
EASTERN DISTRICT, EXCLUDING NEW ENGLAND			
Cambria & Indiana.....	\$5,325,000	\$954,447	17.92
Detroit & Toledo Shore Line.....	6,200,000	842,634	13.59
Bessemer & Lake Erie.....	56,800,000	7,330,249	12.91
Chicago & Illinois Midland.....	9,850,000	1,269,176	12.89
Montour.....	7,450,000	875,040	11.75
Elgin, Joliet & Eastern.....	42,300,000	4,884,588	11.55
Wheeling & Lake Erie.....	49,250,000	4,344,733	8.82
Lehigh & New England.....	14,200,000	1,197,280	8.43
Detroit, Toledo & Ironton.....	29,500,000	2,293,963	7.78
Monongahela.....	18,750,000	1,430,896	7.63
New York, Chicago & St. Louis.....	116,200,000	8,492,405	7.31
Missouri-Illinois.....	7,425,000	474,791	6.39
Western Maryland.....	87,000,000	5,306,408	6.10
Pittsburgh & Lake Erie.....	94,100,000	5,591,525	5.94
Lehigh & Hudson River.....	4,450,000	261,097	5.87
Delaware & Hudson R. R. Corp.....	98,250,000	5,619,258	5.72
Akron, Canton & Youngstown.....	7,675,000	413,297	5.38
Reading Co.....	272,000,000	13,460,806	4.95
Erie.....	306,000,000	13,853,996	4.53
Chicago, Indianapolis & Louisville.....	29,850,000	1,329,102	4.45
Baltimore & Ohio.....	701,394,000	30,618,531	4.37
Pittsburg, Shawmut & Northern.....	6,000,000	247,132	4.12
Pennsylvania.....	2,104,982,000	86,499,486	4.11
Grand Trunk Western.....	97,600,000	3,934,745	4.03
Illinois Terminal.....	28,900,000	1,158,488	4.01
Pere Marquette.....	105,150,000	4,063,208	3.86
Lehigh Valley.....	189,600,000	6,883,261	3.63
Ann Arbor.....	13,100,000	450,291	3.44
New York, Susquehanna & Western.....	12,800,000	439,084	3.43
Wabash.....	155,400,000	4,553,345	2.92
New York Central.....	1,596,200,000	44,052,437	2.78
Delaware, Lackawanna & Western.....	250,300,000	6,736,538	2.69
Pittsburg & Shawmut.....	8,850,000	237,390	2.68
Detroit & Mackinac.....	5,500,000	130,638	2.38
Pittsburgh & West Virginia.....	40,300,000	800,211	1.99
Chicago & Eastern Illinois.....	50,150,000	989,708	1.97
Central R. R. Co. of New Jersey.....	126,500,000	1,364,795	1.08
Long Island.....	136,000,000	757,887	.56
New York, Ontario & Western.....	34,900,000	* 716,777	-----
Pennsylvania-Reading Seashore Lines.....	33,350,000	* 2,490,814	-----
Staten Island Rapid Transit.....	16,400,000	* 288,982	-----
NEW ENGLAND REGION			
International Ry. Co. of Maine.....	7,300,000	561,497	7.69
New York Connecting.....	21,500,000	1,451,881	6.75
Maine Central.....	54,350,000	1,966,206	3.62
Boston & Maine.....	225,200,000	6,935,241	3.08
Bangor & Aroostook.....	28,600,000	843,435	2.95
Central Vermont.....	26,350,000	730,142	2.77
New York, New Haven & Hartford.....	368,000,000	9,274,354	2.52
Canadian National Lines.....	12,600,000	* 600,079	-----
Canadian Pacific Lines in Vermont.....	6,600,000	* 482,468	-----
Rutland.....	21,300,000	* 92,534	-----
SOUTHERN REGION			
Clinchfield.....	39,000,000	3,672,086	9.42
Cincinnati, New Orleans, & Texas Pacific.....	73,750,000	4,998,100	6.78
Alabama Great Southern.....	28,675,000	1,697,157	5.92
New Orleans & Northeastern.....	12,225,000	675,770	5.53
Georgia Southern & Florida.....	9,250,000	494,382	5.34
Southern.....	404,750,000	21,457,294	5.30
Louisville & Nashville.....	377,996,500	17,187,993	4.56
Georgia.....	17,050,000	744,357	4.37
Charleston & Western Carolina.....	11,600,000	428,680	3.70
Yazoo & Mississippi Valley.....	64,350,000	2,121,051	3.30
Illinois Central.....	455,700,000	14,638,099	3.21
Nashville, Chattanooga & St. Louis.....	68,450,000	2,069,426	3.02
Tennessee Central.....	12,300,000	310,615	2.53
Seaboard Air Line.....	189,325,000	4,404,333	2.33
Western Railway of Alabama.....	8,400,000	178,842	2.13
Florida East Coast.....	51,600,000	985,219	1.91
Atlantic Coast Line.....	207,000,000	3,757,234	1.82
Columbus & Greenville.....	4,625,000	67,202	1.45
Gulf, Mobile & Ohio.....	68,650,000	913,671	1.33
Norfolk Southern.....	19,000,000	247,605	1.30
Central of Georgia.....	94,850,000	771,133	.81

Footnotes at end of table.

TABLE 165.—Variations in rate of return on estimated value of property class I line-haul railways, by regions or districts, 1940—Continued

	Rate-making value Jan. 1, 1940	Net railway operating income 1940	Rate of return on value (per cent)
SOUTHERN REGION—continued			
Atlanta & West Point.....	87,700,000	\$11,114	.14
Atlanta, Birmingham & Coast.....	21,650,000	\$225,959	10.36
Georgia & Florida.....	8,300,000	\$98,789	11.90
Gulf & Ship Island.....	8,050,000	\$171,921	21.23
Mississippi Central.....	4,550,000	16,842	3.70
POCAHONTAS REGION			
Virginian Ry. Co.....	87,300,000	9,675,197	11.08
Chesapeake & Ohio.....	304,032,000	40,820,836	13.43
Norfolk & Western.....	349,200,000	33,254,232	9.52
Richmond, Fredericksburg & Potomac.....	28,100,000	1,075,999	3.83
WESTERN DISTRICT			
Duluth, Missabe & Iron Range.....	64,850,000	11,715,929	18.07
Lake Superior & Ishpeming.....	8,850,000	1,199,817	13.56
Beaumont, Sour Lake & Western.....	4,200,000	431,525	10.27
New Orleans, Texas & Mexico.....	8,750,000	728,152	8.32
Nevada Northern.....	2,000,000	239,815	11.99
Kansas, Oklahoma & Gulf.....	9,900,000	734,291	7.42
St. Louis, Brownsville & Mexico.....	22,800,000	1,530,109	6.70
Louisiana & Arkansas.....	27,573,000	1,731,127	6.28
Kansas City Southern.....	55,700,000	3,420,642	6.14
Toledo, Peoria & Western.....	7,550,000	420,793	5.57
Great Northern.....	427,000,000	21,807,064	5.11
Green Bay & Western.....	8,525,000	247,011	2.90
Texas & Pacific.....	109,500,000	4,875,692	4.45
St. Louis Southwestern.....	63,349,500	2,795,591	4.41
Minneapolis & St. Louis.....	86,750,000	1,390,058	1.59
Union Pacific.....	640,000,000	23,358,960	3.65
Southern Pacific.....	737,330,000	26,759,553	3.63
Denver & Salt Lake.....	25,150,000	911,203	3.62
Spokane International.....	4,700,000	150,095	3.19
Midland Valley.....	11,000,000	346,446	3.15
Northern Pacific.....	433,800,000	13,583,076	3.13
Texas & New Orleans.....	181,100,000	5,637,265	3.11
Atchison, Topeka & Santa Fe.....	825,600,000	24,017,625	2.91
Minneapolis, St. Paul, & Sault Ste. Marie.....	150,400,000	4,352,235	2.89
Missouri Pacific.....	351,500,000	10,083,018	2.87
Fort Worth & Denver City.....	30,650,000	844,699	2.76
Western Pacific.....	96,800,000	2,646,040	2.73
Chicago Great Western.....	66,850,000	1,784,230	2.67
St. Louis-San Francisco.....	219,250,000	5,395,121	2.46
Chicago, Burlington & Quincy.....	543,100,000	13,082,778	2.40
Chicago, Milwaukee, St. Paul & Pacific.....	587,400,000	13,845,644	2.36
Denver & Rio Grande Western.....	121,650,000	2,761,157	2.27
Chicago, Rock Island & Pacific.....	373,390,000	8,133,477	2.18
Texas Mexican.....	4,150,000	85,889	2.07
Duluth, South Shore & Atlantic.....	13,550,000	279,722	2.06
Chicago & North Western.....	497,250,000	10,094,500	2.03
Spokane, Portland & Seattle.....	80,993,252	1,282,076	1.59
Missouri-Kansas-Texas.....	127,500,000	1,937,991	1.52
Utah.....	6,050,000	80,379	1.33
Chicago, St. Paul, Minneapolis & Omaha.....	73,500,000	408,899	.55
Missouri & Arkansas.....	7,900,000	41,212	.52
Duluth, Winnipeg & Pacific.....	7,275,000	34,585	.48
Colorado & Southern.....	30,150,000	68,002	.23
Aton.....	67,375,000	15,978	.02
Burlington-Rock Island.....	5,900,000	\$164,585	2.79
International-Great Northern.....	49,100,000	\$24,529	.05
Northwestern Pacific.....	30,600,000	\$361,702	1.18
Oklahoma City-Ada-Atoka.....	3,225,000	\$17,523	.54
St. Louis, San Francisco & Texas.....	4,375,000	\$211,197	4.83
San Antonio, Uvalde & Gulf.....	5,500,000	\$396,601	7.20

¹ This table is a rearrangement of figures shown in Interstate Commerce Commission, Bureau of Statistics, Statement No. 4142, Rate of Return on Value of Property of All Operating Steam Railway Companies, Calendar Year 1940.

² Values are those recommended by the Bureau of Valuation but not considered or adopted by the Commission.

³ Deficit.

The differences in rates of return earned by the individual railroads, even if they are in the same rate territory and have the same levels of class rates, and the same levels of commodity rates on a great many

commodities, are due partly to differences in costs, but also to other causes. Among these factors differences in the composition of traffic are important. Uniform levels of class or commodity rates will not produce uniform rates of return for individual carriers, even when transportation costs are the same, if one railroad transports a larger proportion of well-paying freight than another, unless differences in the rates on different commodities correspond exactly to differences in the costs of transporting them.

It may be well to observe also that just as uniform rate levels may produce different rates of return on different railroads because of differences in composition of traffic, even though their costs are the same, so, for the same reason, a rate level which was uniform throughout the country might produce different rates of return in different rate territories, even though costs were the same. Differences in composition of traffic in the different rate territories are discussed in the following chapter.

G. SUMMARY

Certain facts brought out in this chapter should be brought together at this point because of their significance in an analysis of the interterritorial rate problem and of various suggestions for dealing with it.

First, the cost studies made by the Commission's Bureau of Transport Economics and Statistics, formerly the Bureau of Statistics, indicate that the regional differences in freight service costs are not large. Although the conclusions of these studies should be recognized as approximations and subject to further refinement, and not as precise measures of differences in cost, they indicate that average freight service costs are slightly lower in the South than in the East and somewhat higher in the West than in the East. They indicate also that transportation costs are considerably higher in New England than the United States average; and that in the Pocahontas Region they are very considerably below the United States average.

Second, because of variations in traffic and transportation conditions within a rate territory, the regional average costs depend to some extent upon the inclusion or exclusion of particular areas in the territory under consideration. The inclusion of New England in Eastern Territory tends to raise slightly the Eastern costs; the inclusion of the Pocahontas lines in Eastern Territory will considerably reduce Eastern Territory costs; the exclusion of Kentucky from Southern Territory will raise Southern Territory costs. This fact indicates that a regional average represents an average of very unlike transportation conditions prevailing within the regions.

Third, variations in costs among individual railroads within a region are greater than variations in regional average costs. With the exception of Pocahontas Territory, there are high-cost roads and low-cost roads in all major territories.

Fourth, an examination of individual railroad cost data shows that variations in costs among the larger railroads are less than the variations among smaller roads, and also that the costs of the larger roads are closer to the regional averages. This situation arises in part from the fact that the costs of the larger railroads are average costs of both favorable and unfavorable transportation conditions prevailing on different parts of the system.

CHAPTER X

REGIONAL DIFFERENCES IN THE DISTRIBUTION OF THE TRANSPORTATION BURDEN

A. STATEMENT OF THE PROBLEM

Defense of the higher level of rates in the South and West has not rested wholly on allegations of higher transportation costs. Differences in the distribution of the transportation burden have been pointed out in explanation of the higher class rates prevailing in both territories. The term "distribution of the transportation burden" has been used in different senses, but, as used in this report, it refers to differences in policy of the carriers in making some commodities or classes of traffic contribute more or less than others to general or overhead expenses.¹

The Interstate Commerce Commission has frequently recognized that the differences in rate levels on classes and commodities in the different territories are to be explained in terms of a different policy in the distribution of the transportation burden. In *Coke from Alabama and Tennessee to Central Territory*, 208 I. C. C. 281, 289 (1935), the Commission said: We have frequently recognized that the transportation burden is differently distributed in official and southern territories * * *", and in *Crishwa and Sons v. Arcade and Attica R. R. Co.*, 185 I. C. C. 280, 288 (1932), the Commission said: "The distribution of the transportation burden on commodities in the South is dissimilar from that in Trunk-Line and other territories * * *". See also *City of Winter Haven v. Atlantic Coast Line R. R. Co.*, 169 I. C. C. 453, 456 (1930); *Atlantic Steel Co. v. Chesapeake & Ohio Ry. Co.*, 191 I. C. C. 749, 753 (1933); *Brick & Clay Products in the South*, 155 I. C. C. 730, 736 (1929). The Commission has not only pointed out that differences in the distribution of the transportation burden exist, but it has pointed out the nature of the differences. In *Rates on Bristol & Norton Lines of Norfolk and Western Railway*, 192 I. C. C. 315, 324 (1933), the Commission observed that "commodity rates in the South are often on a relatively lower level in comparison with class rates, and sometimes on an absolutely lower level than they are in the North." In *Knoxville Freight Bureau v. Southern Railway Co.*, 156 I. C. C. 315, 318 (1929), the Commission again observed this difference between Official and Southern territories: "Class rates are relatively low and commodity rates generally are relatively high in official territory as compared with those in the South." In *Stoves, Ranges, Boilers, and House-Heating Furnaces*, 169 I. C. C. 169, 179 (1930), the Commission said: "Speaking generally, class rates and commodity rates on manufactured articles have been relatively lower in the North than in the South and West, whereas rates on raw materials have been

¹ Railroads have objected to the term "transportation burden" on the grounds that it implies that freight rates are burdensome. The term refers to the distribution of the "burden" or "load" of common or overhead costs, and does not connote that transportation costs are more of a burden than any other costs of production and distribution.

somewhat higher relatively in the North than in the other two territories." See also *Central Leather Co. v. Akron, Canton & Youngstown Ry. Co.*, 159 I. C. C. 56, 61 (1929), and *Southeastern Sugar Investigation*, 132 I. C. C. 477, 499 (1927).

Less often does the Commission explain just why these differences in the distribution of the transportation burden have occurred. The reason is hinted in *Eastern Bituminous Coal Investigation*, 140 I. C. C. 3, 16 (1928), where the Commission said: "Official Territory is so predominantly concerned in manufacturing that a rate structure has developed which appears on the whole to be more favorable to high-grade manufactured products and less favorable to low-grade basic commodities, relatively, than rate structures of certain other territories." In both the West and the South, however, favorable rates have been provided on the products of certain manufacturing industries located in those areas.

To assert that the transportation burden is differently distributed in the various rate territories, and to point out the differences and the historical reasons which may explain them, is not to justify them. Whether such differences are or are not justified must depend on a consideration of their necessity, or desirability.

The alleged necessity of continuing a different distribution of the transportation burden in the different rate territories rests upon two closely related considerations. The first is the difference in the composition of traffic in the different territories. The argument here is that the railroads in Eastern Territory have a large proportion of high-grade well-paying traffic, particularly manufactured articles, whereas the southern and western railroads have a small proportion of traffic of this type, but a large proportion of low-grade products. It is contended that this situation requires that the southern and western railroads derive more revenue, relatively, from the high-grade traffic. The second consideration, often unconsciously combined with the first, which is alleged to require high rates on the higher-grade commodities in the South and West, is the relative sparsity of traffic, or the lighter traffic density. The thought is that this situation compels the railroads in the South and West to give greater weight to value of service considerations than do the railroads in Official Territory in order to raise necessary revenues. Each of these two reasons for a different distribution of the transportation burden in the various rate territories is analyzed below.

B. REGIONAL DIFFERENCES IN THE COMPOSITION OF TRAFFIC

In the discussion of the cost studies purporting to show regional differences in transportation costs, it was pointed out that two railroads, or two regions, might show the same average transportation costs, but that the same level of class and commodity rates might produce quite different earnings on the two railroads, or in the two regions, because of differences in the composition of traffic. The railroad or the region having the larger proportion of its traffic consisting of high-grade traffic would have the larger earnings, unless the rates on all commodities corresponded to the costs of transporting them. It follows that the composition of traffic in a rate territory may be important in the determination of the rate levels necessary to support the carriers in that area.

This truth, however, should not lead to the unwarranted assumption that a railroad, or a region, having a large proportion of its traffic consisting of low-grade commodities must of necessity charge higher rates on the high-grade traffic in order to obtain sufficient revenues. This can be easily seen from data presented later in this chapter which show that some very prosperous railroads have a large proportion of their traffic consisting of low-grade traffic. The Pocahontas roads, with approximately 85 percent of their traffic consisting of products of mines which yield them revenues of less than 6 mills per ton-mile, are among the most prosperous railroads of the country. This should amply demonstrate that low-grade traffic can make a railroad prosperous provided there is enough of it. No one contends that the Pocahontas lines must, because only 10 percent of their traffic consists of articles in the manufactures and miscellaneous group, charge higher rates on class traffic than other railroads. It must not be assumed, therefore, that a large proportion of low-grade traffic and a small proportion of high-grade traffic necessarily mean that high rates must be charged on the latter. A small proportion of high-grade traffic may, however, accentuate difficulties arising out of a small total volume of traffic. But if there is a sufficient volume of low-grade tonnage it should reduce costs of transporting all traffic, and enable low rates to be charged on the high-grade traffic even if the proportion of the latter is small.

With these considerations in mind, an examination of the composition of railroad traffic in the different parts of the country may be made. Regional differences in composition of traffic are indicated to some extent by table 166:

TABLE 166.—Composition of carload traffic, class I line-haul railways, by major commodity groups, by districts or regions, 1939¹

	Percent of tons carried			
	Eastern District	Southern Region	Pocahontas Region	Western District
Products of agriculture.....	6.69	11.11	2.85	19.16
Animals and products.....	1.67	1.49	.40	3.04
Products of mines.....	59.08	47.79	84.45	37.20
Products of forests.....	2.47	11.72	2.42	10.76
Manufactures and miscellaneous.....	30.09	27.98	9.87	29.84
Total.....	100.00	100.00	100.00	100.00

¹ I. C. C., Statistics of Railways.

The figures in table 166 show the proportion of the carload traffic, in tons, in the Eastern District, Southern Region, Pocahontas Region, and Western Districts,² which consists of commodities in the five major commodity groups recognized by the Interstate Commerce Commission for statistical purposes. The figures used in computing the percentages were tons carried, instead of tons originated, or tons terminated. The reason for taking tons carried was that it gives a better representation of the traffic than figures showing tons originated or

² See p. 151, footnote 2, for explanation of Eastern District, Southern Region, Pocahontas Region, and Western District.

tons terminated. The figures showing tons originated tend to overemphasize the products produced in a region and shipped out. Similarly, tons terminated would underemphasize these commodities and overemphasize those used in a particular area but produced elsewhere. Figures of absolute quantities of freight carried are open to the objection that they include duplications, since a ton carried by three different railroads is reported by each. Since we are not interested in absolute tonnages, but in proportions of the total traffic classified according to the major commodity groups, the duplication of tonnage is not important. The proportions of traffic in each commodity classification would be distorted to some extent if the traffic in one commodity classification had more joint line-hauls than the traffic in another commodity group. It does not seem probable that the regional comparisons of the relative amounts of traffic in the five broad commodity groups would be seriously distorted on account of the situation described. The proportion of tons carried by commodity groups is certainly more significant than the proportion of tons originated, or tons terminated, if the object is to obtain an idea of the composition of the traffic in the different areas. In interpreting these figures it must be kept in mind that manufactures and miscellaneous is the group that contains the most high-grade or high-rated traffic. The other groups, particularly products of mines and forests, are presumed to represent lower-grade traffic.

An examination of table 166 shows that products of agriculture are most important in the Western District, and that although they do not constitute a large proportion of the traffic in either the Eastern District or Southern Region, they are, nevertheless, relatively more important to the Southern roads than to the Eastern roads. Animals and products do not constitute a large proportion of the traffic in any one of the districts or regions, nor are the differences between the territories great, except for the comparative insignificance of this traffic in the Pocahontas region. Products of mines are an important item of traffic in all regions, but in the Pocahontas region they constitute nearly 85 percent of the traffic carried. Products of mines are a somewhat less important item of tonnage in the Southern region than in the Eastern District, and still less important in the Western District, although even in the Western District they constituted 37 percent of the tons carried. Products of forests are considerably more important in the Southern region and Western District than in the Eastern District or in the Pocahontas region. So far as the group manufactures and miscellaneous is concerned, the table reveals that, with the exception of the Pocahontas region, the proportion of the traffic consisting of commodities in this group is nearly the same in all the areas.

Table 166 is based on the tonnage of a single year, but in order to show that the same general situation has existed for some time, figures are presented in table 167 for the years 1930 to 1941. So far as trends are concerned, table 167 reveals that the proportion of the traffic in the Southern region and Western District consisting of manufactures and miscellaneous increased in the 12-year period.

TABLE 167.—Composition of railroad carload traffic by commodity groups, by districts or regions, as percent of tons carried, 1930-41¹

Year	District or region	Products of agriculture	Animals and products	Products of mines	Products of forests	Manufactures and miscellaneous	Totals
1930	Eastern District.....	6.14	1.58	60.12	2.12	29.04	100
	Southern region.....	12.03	1.31	49.61	13.03	24.02	100
	Pocahontas region.....	3.04	.36	85.01	3.15	8.42	100
	Western District.....	18.87	2.47	40.56	10.39	20.72	100
1931	Eastern District.....	7.14	2.05	60.82	2.74	27.55	100
	Southern region.....	12.83	1.52	51.04	10.63	23.98	100
	Pocahontas region.....	3.38	.45	85.80	2.64	8.03	100
	Western District.....	21.99	4.24	37.95	8.39	27.44	100
1932	Eastern District.....	8.15	2.41	61.83	2.29	25.22	100
	Southern region.....	13.93	1.81	52.03	9.44	22.79	100
	Pocahontas region.....	3.17	.49	87.09	2.14	7.07	100
	Western District.....	25.66	5.18	31.73	7.33	29.60	100
1933	Eastern District.....	7.07	2.37	62.29	2.28	25.99	100
	Southern region.....	13.83	1.78	49.94	10.44	24.01	100
	Pocahontas region.....	2.08	.45	84.32	2.38	7.37	100
	Western District.....	21.80	4.70	34.86	8.70	27.94	100
1934	Eastern District.....	8.39	2.17	62.92	2.05	26.47	100
	Southern region.....	12.55	2.15	50.13	9.71	25.46	100
	Pocahontas region.....	2.68	.49	86.95	1.96	7.92	100
	Western District.....	22.22	5.36	34.38	8.68	29.36	100
1935	Eastern District.....	8.04	1.78	60.87	2.44	26.87	100
	Southern region.....	11.26	1.57	49.78	11.37	26.02	100
	Pocahontas region.....	2.40	.37	86.03	2.32	8.82	100
	Western District.....	19.71	3.66	36.75	10.24	29.74	100
1936	Eastern District.....	8.84	1.57	60.13	2.55	29.91	100
	Southern region.....	11.05	1.44	49.69	11.97	25.85	100
	Pocahontas region.....	2.39	.35	85.86	2.36	9.04	100
	Western District.....	17.48	3.08	38.66	10.73	30.15	100
1937	Eastern District.....	8.48	1.41	59.49	2.68	26.94	100
	Southern region.....	10.50	1.30	48.70	12.67	26.83	100
	Pocahontas region.....	2.44	.33	85.10	2.55	9.58	100
	Western District.....	16.79	2.69	40.27	10.63	29.62	100
1938	Eastern District.....	7.76	1.84	58.80	2.62	28.88	100
	Southern region.....	12.70	1.59	47.14	11.42	27.16	100
	Pocahontas region.....	3.10	.42	84.84	2.28	9.34	100
	Western District.....	23.13	3.36	32.60	10.47	30.43	100
1939	Eastern District.....	6.69	1.67	59.09	2.47	29.09	100
	Southern region.....	11.11	1.49	47.70	11.72	27.68	100
	Pocahontas region.....	2.85	.40	84.45	2.43	9.87	100
	Western District.....	19.14	3.04	37.20	10.76	29.84	100
1940	Eastern District.....	5.74	1.52	59.62	2.59	30.53	100
	Southern region.....	9.60	1.43	48.59	12.10	28.28	100
	Pocahontas region.....	2.34	.38	84.68	2.39	10.19	100
	Western District.....	17.36	2.82	39.40	11.42	29.00	100
1941	Eastern District.....	8.43	1.42	57.25	3.02	32.88	100
	Southern region.....	8.73	1.22	47.88	12.43	29.76	100
	Pocahontas region.....	2.25	.37	82.47	2.87	12.05	100
	Western District.....	15.56	2.30	40.61	11.36	30.08	100

¹ Class I line-haul railways.

Source, Interstate Commerce Commission, Statistics of Railways.

Attention has been called to the fact that the proportion of traffic in the manufactures and miscellaneous group is nearly the same in all territories, constituting between 28 percent and 30 percent of the traffic in each of the areas except in the Pocahontas Region where it is much smaller. These figures tend to minimize the importance of manufactured articles in all regions, since there are many manufactured commodities which appear in the other commodity groups. In an effort to obtain a truer picture of the relative amounts of traffic which consist of processed or manufactured commodities, the tons carried of certain other commodities which may properly be con-

sidered as manufactured or processed have been added to the tons classified by the Interstate Commerce Commission as manufactures and miscellaneous. The results are shown in tables 168 and 169.³

TABLE 168.—Amount of manufactured commodities in total carload traffic carried, class-I line-haul railways, by districts or regions, 1939¹

I. C. C. commodity number	Commodity	Eastern District	Southern Region	Pocahontas Region	Western District
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>
840	Manufactures and miscellaneous.....	245,878,361	56,741,808	12,738,902	136,902,473
50	Flour, wheat.....	7,725,142	2,076,878	383,084	8,321,654
51	Meal, corn.....	178,578	75,392	24,815	187,662
52	Flour and meal, edible, not otherwise specified.....	526,194	175,728	23,804	176,758
60	Cereal food preparations, edible, not otherwise specified.....	1,085,335	138,537	32,505	660,084
61	Mill products, not otherwise specified.....	6,963,257	1,800,507	305,286	5,721,395
101	Cottonseed meal and cake.....	333,482	886,966	22,741	995,132
160	Vegetable-oil cake and meal, except cottonseed.....	1,058,012	237,606	25,087	571,340
210	Fresh meats, not otherwise specified.....	3,932,169	742,985	95,781	2,146,210
220	Meats, cured, dried or smoked.....	590,117	356,898	66,073	362,202
221	Butterine and margarine.....	23,295	14,145	4,046	13,131
222	Packing-house products, edible, not otherwise specified, not including canned meats.....	471,746	406,760	64,424	583,554
250	Butter.....	801,287	62,029	9,290	470,635
251	Cheese.....	316,612	66,230	13,610	228,654
271	Leather.....	366,405	37,909	16,556	26,329
280	Fish and sea-animal oil.....	219,523	49,365	9,221	257,039
310	Coke.....	13,806,512	1,411,456	959,141	2,340,168
353	Stones, finished, not otherwise specified.....	495,085	273,326	27,538	212,619
430	Lumber, shingles and lath.....	12,708,128	11,086,278	1,848,420	23,922,858
431	Box, crate, and cooperage materials.....	1,214,951	1,354,573	174,990	1,790,013
432	Veneer and built-up wood.....	233,516	170,888	33,678	725,927
440	Rosin.....	245,027	502,641	40,327	88,640
441	Turpentine.....	86,541	125,897	21,443	34,617
	Total tons, manufactured commodities.....	299,259,275	78,794,762	16,940,762	186,737,094
	Total tons carried (carload traffic).....	817,185,137	202,813,420	129,098,442	458,842,913
	Percent, manufactured of total.....	36.62	38.85	13.12	40.70

¹ Interstate Commerce Commission, Statistics of Railways.

TABLE 169.—Amount of manufactured commodities in total carload traffic carried, class-I line-haul railways, by districts or regions, 1940¹

I. C. C. commodity number	Commodity	Eastern District	Southern Region	Pocahontas Region	Western District
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>
840	Manufactures and miscellaneous.....	285,395,751	65,022,981	15,207,993	145,341,656
50	Flour, wheat.....	7,651,776	2,048,276	379,688	8,181,540
51	Meal, corn.....	131,501	102,843	19,082	190,560
52	Flour and meal, edible, not otherwise specified.....	449,746	143,868	25,694	204,831
60	Cereal food preparations, edible, not otherwise specified.....	1,080,455	136,114	34,224	646,952
61	Mill products, not otherwise specified.....	7,057,109	1,920,080	317,630	5,556,595
101	Cottonseed meal and cake.....	229,417	762,337	14,564	829,802
160	Vegetable-oil cake and meal, except cottonseed.....	1,360,921	345,597	34,514	863,793
210	Fresh meats, not otherwise specified.....	4,197,869	878,153	109,715	2,285,229
220	Meats, cured, dried or smoked.....	644,163	406,948	68,821	422,577

¹ Interstate Commerce Commission, Statistics of Railways.

³ Some additional commodity groups not included might be considered as manufactured or processed commodities, e. g., group No. 410, Railroad Ties, and some of the commodities, at least, which are included in group No. 151, Fruits, Dried or Evaporated. Some question might be raised concerning the inclusion of "fresh meat" among manufactured commodities. It was included because much processing is required to transform livestock to fresh meat, and also because most fresh meat is a product of packing plants which are classified as manufacturing establishments.

TABLE 169.—Amount of manufactured commodities in total carload traffic carried, class-I line-haul railways, by districts or regions, 1940—Continued

I. C. C. commodity number	Commodity	Eastern District	Southern Region	Pocahontas Region	Western District
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>
221	Butterine and margarine.....	21,821	9,893	2,382	16,190
222	Packing-house products, edible, not otherwise specified, not including canned meats.....	493,557	563,338	81,606	735,273
250	Butter.....	781,135	58,711	8,203	422,679
251	Cheese.....	318,086	70,645	14,091	242,202
271	Leather.....	324,486	34,026	14,388	21,639
280	Fish or sea-animal oil.....	220,942	22,041	9,277	195,112
310	Coke.....	17,929,651	1,641,605	1,113,784	2,657,934
353	Stone, finished, not otherwise specified.....	412,492	148,954	14,073	145,814
430	Lumber, shingles and lath.....	15,499,099	13,057,143	2,123,943	27,567,352
431	Box, crate, and cooperage materials.....	1,318,247	1,275,725	171,605	1,818,390
432	Veneer and built-up wood.....	377,417	231,069	38,238	1,028,778
440	Rosin.....	239,581	531,319	43,168	92,659
441	Turpentine.....	90,074	122,159	21,062	32,742
	Total tons, manufactured commodities.....	346,245,276	89,473,836	19,867,835	199,503,379
	Total tons carried (carload traffic).....	934,807,181	229,928,321	149,241,395	501,218,702
	Percent, manufactured of total.....	37.04	38.91	13.31	39.80

¹ Interstate Commerce Commission, Statistics of Railways.

It is interesting to note that the inclusion of the additional manufactured commodities with manufactures and miscellaneous to get a closer approximation of the total amount of manufactured commodities results in showing that a larger proportion of the traffic in the South consists of manufactured commodities than in the East, and a still larger proportion of that in the West consists of manufactured commodities. The differences between the various areas are not great, however.

The grouping of commodities into products of agriculture, animals and animal products, products of mines, products of forests, and manufactured articles is not the best possible grouping of commodities for the purpose of analyzing the question of whether the differences in the composition of traffic require a different distribution of the transportation burden in different areas. The weakness of the classification arises from the fact that all of the five classes of commodities contain some traffic that is high grade and some that is low grade. A better classification for the purpose of determining whether the railroads have a greater proportion of high-grade or low-grade traffic would be one which is based on the rates charged on the different commodities. No such classification is available, but average revenues per ton-mile by commodities give some idea of whether particular commodities constitute high-grade or low-grade traffic.

Revenues per ton-mile by commodities are not regularly compiled and published. The Federal Coordinator of Transportation, however, computed the average revenue per ton-mile which the railroads obtained from the commodities carried in 1932, classified according to the 156 commodity groups used by the Interstate Commerce Commission for statistical purposes. See Freight Traffic Report, volume III, page 126. Many of the groups, of course, contain several different commodities which may take different rates, but the average revenues per ton-mile which these commodities yielded in 1932 give some indication of whether the commodities constituted high-grade or low-

grade traffic. To obtain some idea of the regional differences in the composition of the traffic based on whether it is high-grade or low-grade traffic, the commodities for which the average revenues per ton-mile were obtained by the Federal Coordinator were further grouped into seven groups, as follows:

Group I. Those commodities yielding an average revenue of less than 6 mills per ton-mile.

Group II. Those yielding 6 mills but less than 8.

Group III. Those yielding 8 mills but less than 10.

Group IV. Those yielding 10 mills but less than 12.

Group V. Those yielding 12 mills but less than 15.

Group VI. Those yielding 15 mills but less than 20.

Group VII. Those yielding 20 mills or over.

It should be noted that the average revenues per ton-mile used were United States averages, not regional averages. Thus, the commodities were classified according to whether, for the United States as a whole, they constituted high-grade or low-grade traffic. No traffic was found in group I, but when the commodities were later grouped according to the average revenue per ton-mile by districts or regions, some tonnage in the Western District, in the Pocahontas Region, and in the Southern Region fell into group I. No attempt was made to allow for differences in the average length of haul on the various commodities. Low revenue per ton-mile may result from charging low rates on a commodity, or from carrying it long distance at moderate rates. This is because rates do not increase in direct proportion to distance, and hence average revenue per ton-mile decreases as distance increases. The traffic falling in groups II and III is low-grade traffic only in the sense that it yields low earnings per ton-mile. Traffic in groups V, VI, and VII is high-grade traffic in the sense that it yields high revenues per ton-mile, whether this result is due to high rates or to short hauls.

After the commodities were grouped into the seven groups, the tons carried in each group were found for the years 1932 to 1941, inclusive, for each region or district, and expressed as a percent of the total tons carried in that region or district. The results are shown in table 170.

TABLE 170.—Composition of railroad carload traffic classified according to Interstate Commerce Commission commodity groups, grouped according to average revenue per ton-mile (United States 1932), by districts or regions, for 10-year period, 1932-41

Group	Percent of total tons of carload freight carried			
	Eastern District	Southern Region	Pocahontas Region	Western District
Group I. Groups yielding average revenue per ton-mile of less than 6 mills.....				
Group II. Groups yielding average of 6 mills but less than 8.....	39.19	41.32	82.43	23.24
Group III. Groups yielding average of 8 mills but less than 10.....	11.95	12.55	3.80	19.21
Group IV. Groups yielding average of 10 mills but less than 12.....	20.45	20.01	4.91	22.73
Group V. Groups yielding average of 12 mills but less than 15.....	22.24	15.09	6.83	21.79
Group VI. Groups yielding average of 15 mills but less than 20.....	5.30	9.24	1.59	11.65
Group VII. Groups yielding average of 20 mills or over.....	.87	1.79	.43	1.38
Total.....	100.00	100.00	99.99	100.00

The table reveals that 82.43 percent of the traffic of the Pocahontas lines consisted of traffic yielding, for the United States as a whole, from 6 to 8 mills per ton-mile. The table also reveals a striking similarity of the composition of the traffic in the Eastern District and Southern Region. The Southern Region had only a slightly larger proportion of traffic in groups II and III, i. e., the groups which yield from 6 to 8 and 8 to 10 mills per ton-mile as a United States average. In comparison with the Eastern District the Southern Region had a somewhat smaller proportion of its traffic consisting of commodities yielding from 12 to 15 mills per ton-mile on the average, but a somewhat larger proportion consisting of commodities in groups VI and VII, i. e., those yielding 15 mills per ton-mile or over. These figures indicate that when traffic is classified according to the average revenue per ton-mile which it yielded for the United States as a whole in 1932 the composition of the traffic in the Southern Region is little different from that of the Eastern District. The traffic in the Western District differs from that in the Eastern District principally in that it contains considerably less of the lowest grade traffic, i. e., that yielding an average of 6 mills but less than 8 mills per ton-mile, but somewhat more traffic than in the Eastern District that consists of commodities yielding 8 but less than 12 mills per ton-mile.

Since regional differences in rate levels on particular commodities might cause some traffic to be considered a lower-grade traffic in one territory than in another, the 156 commodity groups have also been grouped into the seven ton-mile-yield groups according to the regional average revenues per ton-mile. This grouping differs from the previous one in that it may put a commodity in one group in one region and in another group in another region. Thus in the first grouping it was found that no commodities fell in group I, that is, the group of commodities which yielded less than 6 mills per ton-mile in 1932 as a United States average. But if commodities are grouped according to the revenue per ton-mile yielded in each region, it is found that 83.4 percent of the tonnage in Pocahontas Region fell in group I. The explanation is to be found in the fact that coal yielded an average revenue per ton-mile for the United States as a whole of 6.5 mills in 1932, but yielded only 5.3 mills per ton-mile in the Pocahontas Region. Under this second method of grouping, therefore, a commodity considered as low-grade tonnage in one region may be considered as higher grade in another, depending on the revenue per ton-mile which it yields, which, in turn, will depend on the rate level or on the average length of haul in the territory under consideration. This grouping, therefore, shows the proportion of the traffic in each region that is high grade or low grade, according to the standard of that region. Table 171 shows the proportion of the carload traffic in each region or district in 1932 which fell into each of the seven revenue-per-ton-mile groups. The tonnage figures were obtained only for 1932, since it was felt that regional changes in rates on particular commodities might shift commodities from one group to another, and impair the usefulness of the figures if traffic for later years was classified on the basis of 1932 regional revenues per ton-mile.

TABLE 171.—Composition of railroad carload traffic according to Interstate Commerce Commission commodity groups, grouped according to average revenue per ton-mile yielded in each district or region, 1932

Group	Percent of total tons of carload traffic			
	Eastern District	Southern Region	Pocahontas Region	Western District
Group I. Yielding average revenue per ton-mile of less than 6 mills	0	0.7	83.4	4.5
Group II. Yielding average revenue per ton-mile of 6 mills but less than 8	43.0	42.0	1.3	8.9
Group III. Yielding average revenue per ton-mile of 8 mills but less than 10	7.1	11.6	5.0	28.2
Group IV. Yielding average revenue per ton-mile of 10 mills but less than 12	20.3	18.3	5.6	20.1
Group V. Yielding average revenue per ton-mile of 12 mills but less than 15	16.5	13.0	2.3	32.1
Group VI. Yielding average revenue per ton-mile of 15 mills but less than 20	11.2	11.5	2.1	5.4
Group VII. Yielding average revenue per ton-mile of 20 mills or over	1.9	3.0	.3	2.8

This table further supports the view that the composition of railroad carload traffic, when classified according to average revenues per ton-mile, is not much different in the South from that in the Eastern District. The composition of the traffic in the Western District is somewhat different, but the traffic in that area cannot be said to consist more largely of low-grade tonnage. The Pocahontas Region is again shown to be strikingly different from the other areas with 83.4 percent of its 1932 tonnage consisting of traffic which yielded less than 6 mills per ton-mile.

Calculations of this type cannot be made of railroad traffic for every year since average revenues per ton-mile by Interstate Commerce Commission commodity groups are not reported by the railroads to the Interstate Commerce Commission. Regional average revenues per ton-mile by Interstate Commerce Commission commodity groups, however, were estimated for the year 1939 in an exhibit introduced in the *Class-Rate Investigation*.⁴ If the 1939 traffic is classified in each region according to the same average-revenue-per-ton-mile groups shown in the previous tables, the distribution in the different territories is as shown in table 172.

TABLE 172.—Composition of railroad carload traffic classified according to Interstate Commerce Commission commodity groups, grouped according to average revenue per ton-mile yielded in Eastern District, Southern Region, and Western District, 1939

Group	Percent of total tons of carload traffic		
	Eastern District	Southern Region	Western District
Group I. Yielding average revenue per ton-mile of less than 6 mills	0.89	33.93	7.13
Group II. Yielding average revenue per ton-mile of 6 mills but less than 8	33.49	7.70	32.13
Group III. Yielding average revenue per ton-mile of 8 mills but less than 10	28.22	20.96	21.59
Group IV. Yielding average revenue per ton-mile of 10 mills but less than 12	9.20	13.30	17.74
Group V. Yielding average revenue per ton-mile of 12 mills but less than 15	18.17	19.22	6.00
Group VI. Yielding average revenue per ton-mile of 15 mills but less than 20	9.26	3.30	11.90
Group VII. Yielding average revenue per ton-mile of 20 mills or more	.77	1.59	3.50
Total	100.00	100.00	100.00

⁴ Exhibit No. 195, Unit Costs for the Eastern Territory, etc., table 3.

The composition of the traffic in the Eastern District and Southern Region was not greatly different except for the fact that the bituminous coal traffic in the South yielded only 5.88 mills per ton-mile, and therefore swells the percentage of the traffic in group I, while in the Eastern District bituminous coal yielded 6.65 mills per ton-mile, and swells the percentage of the traffic in group II. Western District traffic differed from Eastern in that it had somewhat more traffic in the extreme groups, i. e., group I, and groups VI and VII. There are differences in the other groups, but if Western District had less traffic in one group than Eastern, the relationship is reversed in the next group. In Eastern District, 62.60 percent of the traffic yielded an average revenue per ton-mile of less than 10 mills; in Southern Region, 62.49 percent; and in Western District, 60.85 percent.

The regional differences in composition of traffic seem surprisingly small. In fact, the regional differences are insignificant when compared with the differences found within the various districts, and the differences on individual railroads within a given rate territory.

There is shown below, in tables 173 and 174, the differences in the proportions of products of agriculture, products of mines, animals and products, products of forests, and manufactures and miscellaneous, in the various regions in the Eastern District, and in the Western District in 1939.¹

TABLE 173.—Composition of carload traffic, class I line-haul railways, by major commodity groups, by regions within Eastern District, 1939¹

Commodity group	Percent of tons carried, carload traffic		
	New England Region	Great Lakes Region	Central Eastern Region
Products of agriculture.....	17.63	7.25	4.80
Animals and products.....	3.38	2.06	1.12
Products of mines.....	28.46	60.42	61.82
Products of forests.....	6.81	2.15	2.20
Manufactures and miscellaneous.....	43.72	28.12	30.08
Total.....	100.00	100.00	100.00

¹ Computed from Interstate Commerce Commission, Statistics of Railways.

TABLE 174.—Composition of carload traffic, class I line-haul railways, by major commodity groups, by regions within Western District, 1939¹

Commodity group	Percent of tons carried, carload traffic		
	North-western Region	Central Western Region	South-western Region
Products of agriculture.....	15.20	23.59	18.72
Animals and products.....	2.99	3.58	2.23
Products of mines.....	47.39	31.43	29.93
Products of forests.....	11.98	10.12	9.66
Manufactures and miscellaneous.....	22.44	31.28	40.46
Total.....	100.00	100.00	100.00

¹ Computed from Interstate Commerce Commission, Statistics of Railways.

² For description of the areas embraced within the various regions see Interstate Commerce Commission, Statistics of Railways, 1935, p. 33.

Even greater are the variations in composition of traffic among individual railroads.

Tables 175, 176, and 177 show the proportions of the traffic in each major commodity group by individual railroads in Eastern District, Southern Region, and Western District, respectively.

TABLE 175.—Composition of carload traffic of individual railroads in Eastern District, by major commodity groups, 1939¹

	Percent of total tons carried, carload traffic					Total
	Products of agriculture	Animals and products	Products of mines	Products of forests	Manufactures and miscellaneous	
Bangor & Aroostook.....	34.3	0.1	18.0	12.3	35.4	100
Boston & Maine.....	16.3	4.2	32.1	6.2	41.2	100
Canadian National (in New England).....	10.9	4.0	27.8	6.9	50.4	100
Central Vermont.....	36.7	3.7	14.2	11.0	34.4	100
Canadian Pacific (in Vermont).....	24.6	5.7	13.7	10.8	45.3	100
International Ry. Co. of Maine.....	46.5	3.9	6.4	6.1	37.1	100
Maine Central.....	20.4	.9	17.6	16.5	44.6	100
New York, New Haven & Hartford.....	12.5	3.6	33.2	3.7	47.0	100
New York Connecting.....	14.3	3.2	29.7	5.4	47.3	100
Rutland.....	9.8	1.5	39.2	5.6	44.0	100
Cambria & Indiana.....	(²)	(²)	99.9	(²)	.1	100
Grand Trunk Western.....	11.1	3.5	38.0	4.7	42.7	100
Erle.....	7.4	2.7	56.6	2.4	31.0	100
New York, Chicago & St. Louis.....	13.8	4.6	46.0	3.3	32.2	100
New York, Susquehanna & Western.....	1.7	1.2	68.5	1.2	27.4	100
Delaware & Hudson.....	5.5	1.5	67.9	2.6	22.5	100
Delaware, Lackawanna & Western.....	6.6	2.7	61.3	1.7	27.8	100
Detroit & Mackinac.....	5.6	.2	67.0	3.5	23.8	100
Detroit & Toledo Shore Line.....	3.8	.2	70.8	2.3	22.9	100
Lehigh & Hudson River.....	3.7	1.0	68.3	1.7	25.3	100
Lehigh & New England.....	.4	(²)	77.1	.2	22.4	100
Lehigh Valley.....	9.1	2.3	56.7	1.5	30.5	100
Monongahela.....	.3	(²)	98.2	.2	1.4	100
Montour.....	.1	(²)	94.0	.1	5.8	100
New York, Ontario & Western.....	5.8	2.0	71.0	1.5	19.7	100
New York Central.....	7.3	1.9	60.5	2.1	28.2	100
Pittsburgh & Lake Erie.....	.6	.1	69.3	.5	29.6	100
Pere Marquette.....	10.2	1.7	46.8	4.0	37.2	100
Pittsburg & Shawmut.....	.4	(²)	94.4	.5	4.7	100
Pittsburgh & West Virginia.....	2.6	2.4	61.8	1.4	31.8	100
Pittsburg, Shawmut & Northern.....	.7	.7	75.2	1.6	21.9	100
Ann Arbor.....	9.1	3.0	41.7	9.9	36.4	100
Wabash.....	21.5	3.6	35.0	4.0	35.9	100
Akron, Canton & Youngstown.....	3.5	1.0	59.5	3.9	32.1	100
Baltimore & Ohio.....	4.9	1.3	62.2	2.6	29.1	100
Staten Island Rapid Transit.....	2.2	3.9	43.9	1.3	48.6	100
Bessemer & Lake Erie.....	.2	(²)	94.8	.1	4.9	100
Chicago & Eastern Illinois.....	13.8	2.4	45.7	6.3	31.7	100
Chicago & Illinois Midland.....	5.6	.3	84.5	1.3	8.3	100
Chicago, Indianapolis & Louisville.....	10.0	1.4	59.2	4.2	25.1	100
Detroit, Toledo & Ironton.....	2.5	.2	33.7	2.3	61.4	100
Elgin, Joliet & Eastern.....	3.9	.2	43.7	1.6	51.5	100
Illinois Terminal.....	3.1	.3	45.3	2.0	49.3	100
Missouri-Illinois.....	2.0	(²)	66.8	2.2	28.9	100
Long Island.....	7.6	3.4	43.2	5.6	40.3	100
Pennsylvania.....	6.3	1.2	61.4	2.3	28.8	100
Pennsylvania-Reading Seashore.....	4.5	1.0	51.8	2.6	40.0	100
Central of New Jersey.....	3.4	1.3	57.6	2.1	35.7	100
Reading.....	3.0	1.2	69.0	1.6	25.3	100
Western Maryland.....	3.3	1.4	68.8	2.2	24.2	100
Wheeling & Lake Erie.....	3.0	1.0	56.3	1.2	38.4	100

¹ Computed from Interstate Commerce Commission, Statistics of Railways.
² Less than one-tenth of 1 percent.

INTERTERRITORIAL FREIGHT RATES

TABLE 176.—Composition of carload traffic of individual railroads in Southern Region, by major commodity groups, 1939¹

	Percent of total tons carried, carload traffic					Total
	Products of agriculture	Animals and products	Products of mines	Products of forests	Manufactures and miscellaneous	
Atlanta & West Point.....	19.0	2.1	26.9	6.4	45.6	100
Atlanta, Birmingham & Coast.....	22.5	.9	15.8	12.9	48.0	100
Atlantic Coast Line.....	12.2	1.1	37.6	21.7	27.4	100
Charleston & Western Carolina.....	9.0	.4	55.1	10.3	24.2	100
Clinchfield.....	3.9	.3	75.9	8.8	14.1	100
Georgia.....	11.8	2.2	41.1	11.1	33.9	100
Louisville & Nashville.....	4.9	.8	72.3	8.1	17.0	100
Nashville Chattanooga, & St. Louis.....	19.3	3.4	30.4	9.1	37.7	100
Western Ry. of Alabama.....	13.4	1.4	34.8	6.7	44.0	100
Columbus & Greenville.....	11.4	.4	32.8	12.1	43.2	100
Florida East Coast.....	17.4	2.3	12.0	17.1	50.2	100
Georgia and Florida.....	15.4	.7	20.0	24.6	39.3	100
Gulf, Mobile & Northern.....	7.0	.5	21.7	30.7	40.1	100
Central of Georgia.....	14.7	1.5	33.6	14.6	35.6	100
Gulf & Ship Island.....	10.1	.3	7.4	55.1	27.1	100
Illinois Central.....	15.9	2.0	49.4	7.7	23.9	100
Yasco & Mississippi Valley.....	17.0	.8	15.9	23.4	42.8	100
Mississippi Central.....	4.7	.1	11.8	25.4	58.0	100
Norfolk Southern.....	12.9	.6	39.5	14.4	32.7	100
Seaboard Air Line.....	9.4	.8	44.5	18.0	27.4	100
Alabama Great Southern.....	7.7	.9	24.4	13.0	54.0	100
Cincinnati, New Orleans & Texas Pacific..	15.4	3.3	33.7	13.5	34.2	100
Georgia Southern & Florida.....	11.2	2.9	37.6	17.6	40.8	100
Mobile & Ohio.....	19.6	2.0	21.0	23.7	33.7	100
New Orleans & Northeastern.....	11.4	.8	18.0	14.2	55.6	100
Northern Alabama.....	4.0	.1	73.8	8.7	13.4	100
Southern.....	10.6	1.3	47.5	10.5	30.1	100
Tennessee Central.....	4.3	.7	60.3	3.8	30.4	100

¹ Computed from Interstate Commerce Commission, Statistics of Railway.TABLE 177.—Composition of carload traffic of individual railroads in Western District, by major commodity groups, 1939¹

	Percent of total tons carried, carload traffic					Total
	Products of agriculture	Animals and products	Products of mines	Products of forests	Manufactures and miscellaneous	
Duluth, Winnipeg & Pacific.....	7.8	1.1	21.6	43.3	26.2	100
Duluth, South Shore & Atlantic.....	2.9	1.4	49.1	25.0	20.6	100
Minneapolis, St. Paul & Sault Ste. Marie..	13.4	2.4	44.2	14.1	26.0	100
Spokane International.....	4.1	.5	42.8	43.5	9.1	100
Chicago & North Western.....	15.0	4.2	42.6	9.5	28.6	100
Chicago, St. Paul, Minneapolis & Omaha..	32.4	3.7	21.2	12.4	30.2	100
Chicago Great Western.....	22.2	11.6	18.8	6.1	41.2	100
Chicago, Milwaukee, St. Paul & Pacific..	17.4	5.0	34.4	12.3	31.0	100
Duluth, Missabe & Iron Range.....	(?)	(?)	97.2	.4	2.4	100
Great Northern.....	15.9	1.2	60.3	8.9	13.7	100
Green Bay & Western.....	9.2	3.4	29.8	16.5	41.5	100
Lake Superior & Ishpeming.....	.1	(?)	92.7	5.6	1.7	100
Minneapolis & St. Louis.....	31.3	4.1	25.4	7.4	31.8	100
Northern Pacific.....	21.9	2.0	24.9	27.5	23.7	100
Spokane, Portland & Seattle.....	17.1	1.3	3.9	46.5	31.2	100
Atchison, Topeka & Santa Fe.....	26.2	4.0	29.4	4.9	35.5	100
Alton.....	19.2	2.0	31.3	3.3	44.2	100
Chicago, Burlington & Quincy.....	20.5	4.6	40.7	5.4	28.8	100
Colorado & Southern.....	15.4	2.6	52.3	4.4	25.4	100
Fort Worth & Denver City.....	25.2	2.0	20.5	4.1	47.2	100
Denver & Rio Grande Western.....	10.6	3.0	56.6	7.3	22.5	100
Denver & Salt Lake.....	1.0	3.5	87.6	1.1	6.8	100
Nevada Northern.....	.1	.8	73.4	4.0	21.8	100
Chicago, Rock Island & Gulf.....	51.1	4.5	12.3	1.8	30.3	100
Chicago, Rock Island & Pacific.....	28.0	4.0	26.1	6.7	35.1	100
Northwestern Pacific.....	14.0	1.5	27.6	40.0	17.0	100

Footnotes at end of table.

TABLE 177.—Composition of carload traffic of individual railroads in Western District, by major commodity groups, 1939¹—Continued

	Percent of total tons carried, carload traffic					Total
	Products of agriculture	Animals and products	Products of mines	Products of forests	Manufactures and miscellaneous	
Southern Pacific.....	19.2	2.1	24.5	22.3	31.9	100
Toledo, Peoria & Western.....	35.0	3.8	13.6	5.9	41.7	100
Union Pacific.....	31.3	4.5	25.5	11.7	26.9	100
Utah.....	(²)	(²)	99.6	.1	.3	100
Western Pacific.....	19.2	2.0	24.6	18.5	35.7	100
Burlington-Rock Island.....	37.9	.9	3.6	.9	56.6	100
St. Louis-San Francisco.....	19.2	1.7	34.9	7.1	37.0	100
St. Louis, San Francisco & Texas.....	38.3	2.0	11.2	5.3	43.3	100
Kansas City Southern.....	8.5	1.7	27.3	16.7	45.8	100
Louisiana & Arkansas.....	7.1	.5	26.8	17.1	48.5	100
Kansas, Oklahoma & Gulf.....	7.5	1.6	36.1	2.0	52.9	100
Louisiana, Arkansas & Texas.....	17.7	.8	8.7	18.0	54.8	100
Midland Valley.....	4.0	1.9	31.2	2.9	60.0	100
Missouri & Arkansas.....	16.4	.4	27.7	26.6	29.0	100
Missouri-Kansas-Texas.....	24.1	3.2	22.3	3.0	47.4	100
International-Great Northern.....	18.9	3.2	21.7	8.2	47.9	100
Beaumont, Sour Lake & Western.....	22.3	1.2	15.3	15.4	45.8	100
Missouri Pacific.....	21.2	2.7	36.6	10.6	29.1	100
New Orleans, Texas & Mexico.....	24.6	.7	23.8	8.6	42.2	100
St. Louis, Brownsville & Mexico.....	23.2	3.1	39.9	4.2	29.5	100
San Antonio, Uvalde & Gulf.....	8.3	2.8	49.5	1.5	38.0	100
Texas & Pacific.....	20.9	3.0	14.5	9.9	51.7	100
Texas Mexican.....	19.6	3.8	19.9	5.4	51.3	100
Oklahoma City-Ada-Atoka.....	3.6	1.7	13.1	3.2	78.4	100
St. Louis Southwestern.....	17.5	1.1	18.9	16.4	48.0	100
Texas & New Orleans.....	18.3	1.8	27.9	9.7	42.3	100

¹ Computed from Interstate Commerce Commission, Statistics of Railways.

² Less than one-tenth of 1 percent.

Such a wide range in composition of traffic occurs on different railroads that it may be said that the regional averages have very little meaning. The extent of the range within a particular region can be seen by noting the extreme cases. So far as commodities in the manufactures and miscellaneous group are concerned, the range in the Eastern District, in 1939, was from 0.1 percent on the Cambria and Indiana to 61.4 percent on the Detroit, Toledo & Ironton. In the Southern Region the carrier with the lowest proportion of manufactures and miscellaneous was the Clinchfield, with 14.1 percent of its traffic in this group. The carrier with the highest percentage of manufactures and miscellaneous was the Mississippi Central, with 58 percent of its traffic in this group. In the Western District, the Utah Railway had only 0.3 percent of its traffic in the manufactures and miscellaneous group, but the Oklahoma City-Ada-Atoka had 78.4 percent of its traffic in this group. The proportions of traffic in the other groups also show wide variations.

CONCLUSION

It has been pointed out in this section, first, that a small proportion of high-grade traffic on a particular railroad, or in a particular region, does not of itself make necessary higher rates on such traffic than are charged on other roads or in other regions, although such a condition may accentuate difficulties caused by a very small total volume of traffic; second, that existing regional differences in the proportions of high-grade and low-grade traffic seem to be slight; and third, that very great differences in the composition of traffic among individual

railroads within a region have not prevented substantial uniformity in rate structure within existing rate territories. There is very little, therefore, to support the claim that regional differences in the composition of traffic require a different distribution of the transportation burden in the different territories as between class traffic and commodity-rate traffic, or as between manufactured articles and other commodities.

C. REGIONAL DIFFERENCES IN TRAFFIC DENSITY

It was pointed out earlier in this chapter that a railroad with a small proportion of the better-paying traffic may have to have a larger total amount of traffic to earn the same return as a railroad with a large proportion of high-grade traffic, or it will have to have a higher level of rates. But if the total volume of traffic which a railroad carries is sufficient, the fact that only a small proportion of it is high-grade traffic does not prevent the road from being a profitable one, nor does it require that a high level of rates be maintained on the high-grade traffic. If the volume of traffic is small, however, a railroad may find it necessary to exploit to the fullest the possibility of charging high rates on such traffic as will stand it, and to develop other traffic at rates that will cover little more than out-of-pocket expenses, when such rates are necessary to induce its movement, or to prevent its diversion to competing carriers.

It may be that only in this way can a railroad with a small volume of traffic obtain sufficient revenue to maintain itself in operation. The ability of individual railroads to adjust rates in this manner, however, has been restricted by their adherence to a uniform classification within regions, and to the establishment, either voluntarily or by the Commission, of uniform levels of commodity rates on some commodities over wide areas. Total volume of traffic in relation to the size of railroad plant, i. e., traffic density, may nevertheless be an important factor in considering the rate policy which a railroad or group of railroads will adopt.

This situation has long been recognized by writers on railway rates, as well as by persons concerned with differential pricing in any industry. The principal justification of the practice of charging what the traffic will bear, or charging according to the value of the service, i. e., charging rates that are higher or lower than allocated costs, has rested on the assumption of unused capacity.⁶ The lighter the density of traffic, the greater is the incentive to make rates on the value-of-service principle or to charge according to what the traffic will bear. It becomes important, therefore, to compare the total volume of traffic in relation to the physical plant of the railroads in the different territories in order to determine whether such differences may account for and justify a different rate policy in the different areas.

⁶ The following references will be of value to persons not acquainted with the explanation of differential pricing in the railroad or other industries: W. M. Acworth, *The Railways and the Traders* (1891), *Elements of Railway Economics* (1904), "The Theory of Railway Rates," 7 *Economic Journal* 317, 322 (1897); H. O. Brown, *Transportation Rates and Their Regulation* (1916); M. O. Lorenz, "Cost and Value of Service in Railroad Rate-Making," 30 *Quarterly Journal of Economics* 205 (1916); G. P. Watkins, "The Theory of Differential Rates," 30 *Quarterly Journal of Economics* 682 (1916); J. M. Clark, *The Economics of Overhead Costs* (1923); A. T. Hadley, *Railroad Transportation* (1885); E. R. A. Seligman, "Railway Tariffs and the Interstate Commerce Law," 2 *Political Science Quarterly* 223 (1887); Douglas Knoop, *Outlines of Railway Economics* (1913).

Table 178 shows the traffic density—revenue ton-miles per mile of road—of the class I line-haul railways for the years 1930 to 1941. This information is charted in figure 27.

TABLE 178.—Revenue ton-miles per mile of road, class I line-haul railways, by districts or regions, 1930-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District
1930.....	2,669,853	1,172,875	6,239,933	1,022,596
1931.....	2,153,994	941,238	5,230,903	814,519
1932.....	1,653,887	706,179	4,281,340	595,793
1933.....	1,760,002	757,725	4,738,947	632,777
1934.....	1,900,572	810,841	5,043,123	699,610
1935.....	1,984,121	871,228	5,156,514	748,378
1936.....	2,359,287	-1,058,474	6,173,473	920,020
1937.....	2,499,270	1,135,452	6,266,521	1,005,160
1938.....	1,912,804	987,619	4,993,731	839,083
1939.....	2,322,114	1,107,930	5,794,269	927,227
1940.....	2,624,236	1,240,640	6,662,917	1,026,366
1941.....	3,346,120	1,608,262	7,355,398	1,355,356

¹ From I. C. C., Statistics of Railways.

The table and chart show that the traffic density is the highest in the Pocahontas Region. The Eastern District has the next most favorable showing. The roads in the Southern Region have a less favorable density than those in the Eastern District; and the roads in the Western District have the least favorable showing.

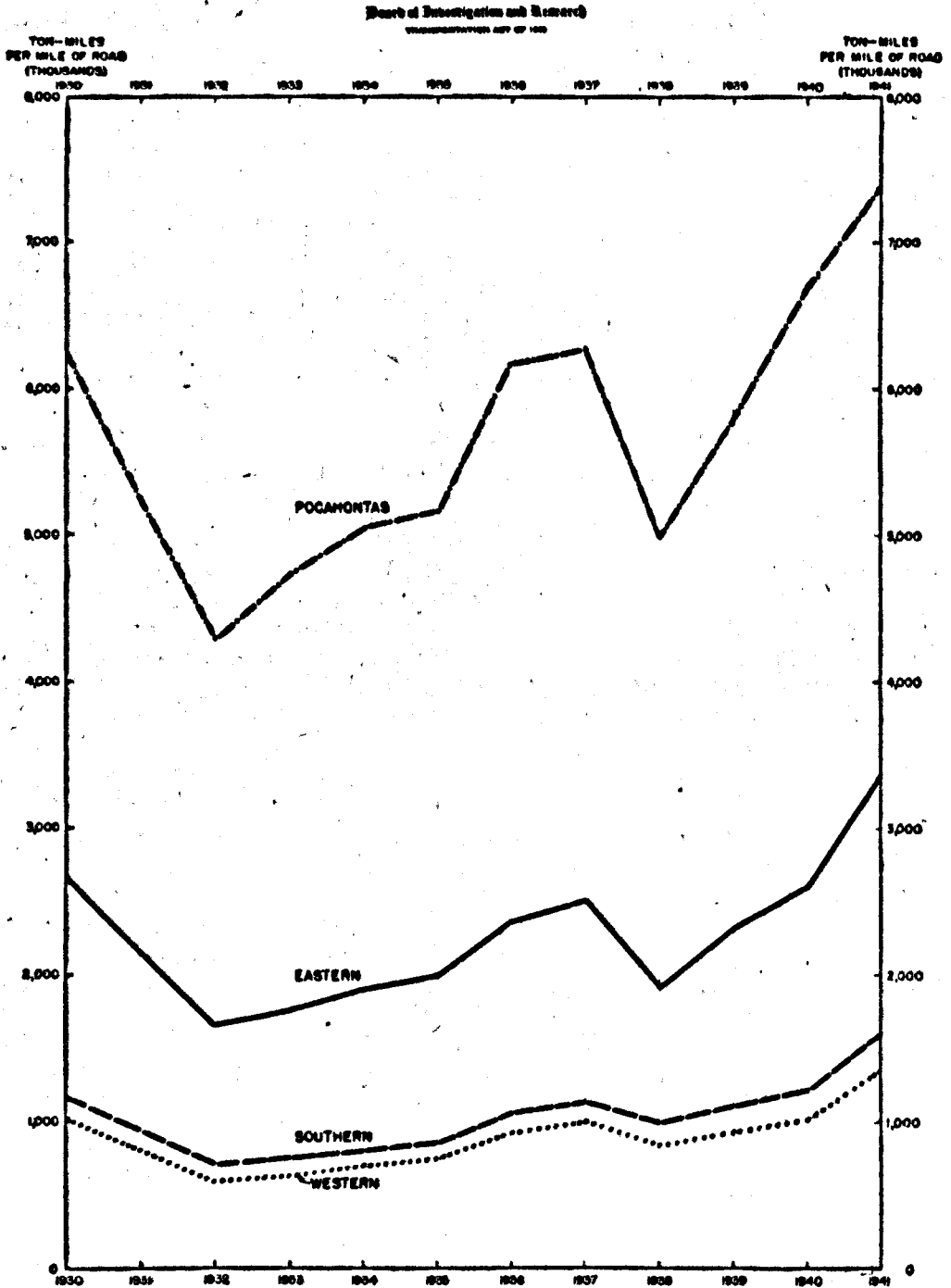
These figures taken by themselves would indicate that the Western and Southern railroads might naturally seek to increase their revenues by exploiting the possibilities of high rates on such traffic as will stand it, and stimulate additional traffic by very low rates on such traffic as requires it.

Figures showing revenue ton-miles per mile of road fail to take into consideration the nature of the railroad plant. The amount of traffic necessary to utilize fully a single-track system is much less than the traffic required to utilize fully a double-track system. For the purpose of comparing the extent of utilization of facilities of two railroads, or of the railroads in different regions, revenue ton-miles per mile of track is of more significance than revenue ton-miles per mile of road. Table 179 and figure 28 show these figures by regions or districts for the years 1930 to 1941.

TABLE 179.—Revenue ton-miles per mile of track, class I line-haul railways, by districts or regions, 1930-41¹

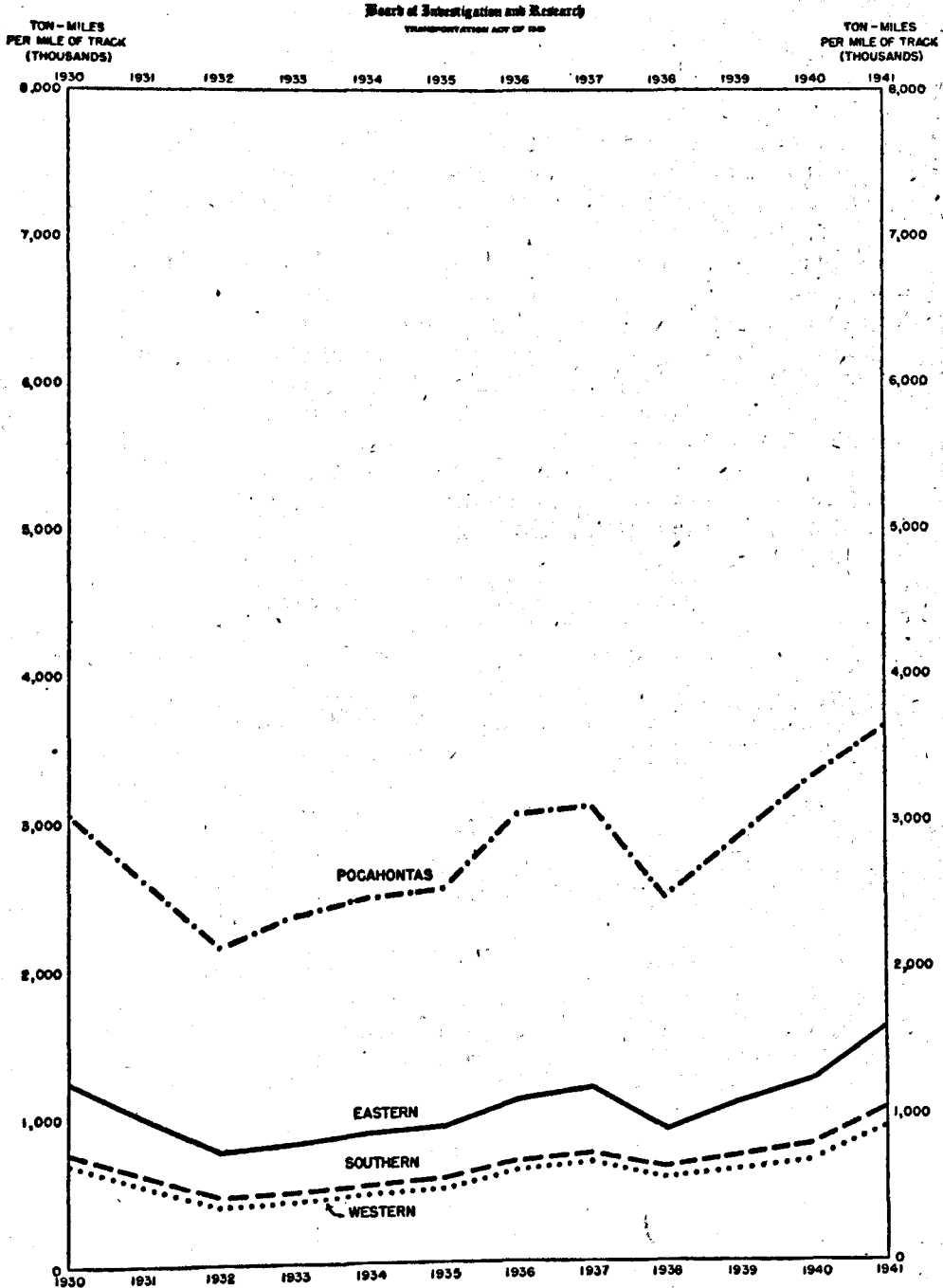
Year	Eastern District	Southern Region	Pocahontas Region	Western District
1930.....	1,237,751	754,596	3,052,766	682,156
1931.....	993,479	606,045	2,615,155	543,292
1932.....	763,239	455,794	2,156,400	397,020
1933.....	816,647	496,695	2,353,455	422,771
1934.....	881,184	520,533	2,470,811	467,175
1935.....	921,987	561,010	2,539,429	499,464
1936.....	1,101,363	680,269	3,033,565	614,839
1937.....	1,170,271	730,287	3,096,368	669,960
1938.....	898,263	636,861	2,463,873	559,724
1939.....	1,093,379	714,219	2,866,623	618,176
1940.....	1,237,387	799,671	3,278,244	686,541
1941.....	1,580,985	1,039,087	3,634,966	906,204

¹ Computed from I. C. C., Statistics of Railways.



REVENUE TON-MILES PER MILE OF ROAD
CLASS-I LINE-HAUL RAILWAYS 1930-1941

FIGURE 27.



REVENUE TON-MILES PER MILE OF TRACK
CLASS-I LINE-HAUL RAILWAYS 1930-1941

FIGURE 28.

These figures show the position of the Southern and Western railroads to be less unfavorable in relation to the Eastern railroads than is indicated by the revenue ton-miles per mile of road, although the Southern and Western railroads are still less fortunate than the Eastern railroads so far as utilization of their plants is concerned.

Even the revenue ton-miles per mile of track fail to give a true picture of comparative utilization of facilities because they fail to take into consideration numerous features of the railroad plant. One railroad plant may be larger than another though the miles of track are the same, since one may have more equipment, more station facilities, and shop facilities than the other, and may also have heavier rails, better ballast, and have expended larger sums for reducing curves, grades, and for improving its physical plant. It is not without significance, therefore, to relate the volume of traffic, not only to miles of road, or miles of track, but also to dollars of investment in road and equipment. Figures of this sort are found in table 180 and figure 29.

From 1930 to 1935, inclusive, the Southern roads were in a less favorable position than the Eastern roads, so far as revenue ton-miles per dollar of investment are concerned, but since then they have been in a better position than the Eastern roads. The Western roads, however, have shown fewer ton-miles per dollar of investment than the Eastern roads except in 1938.

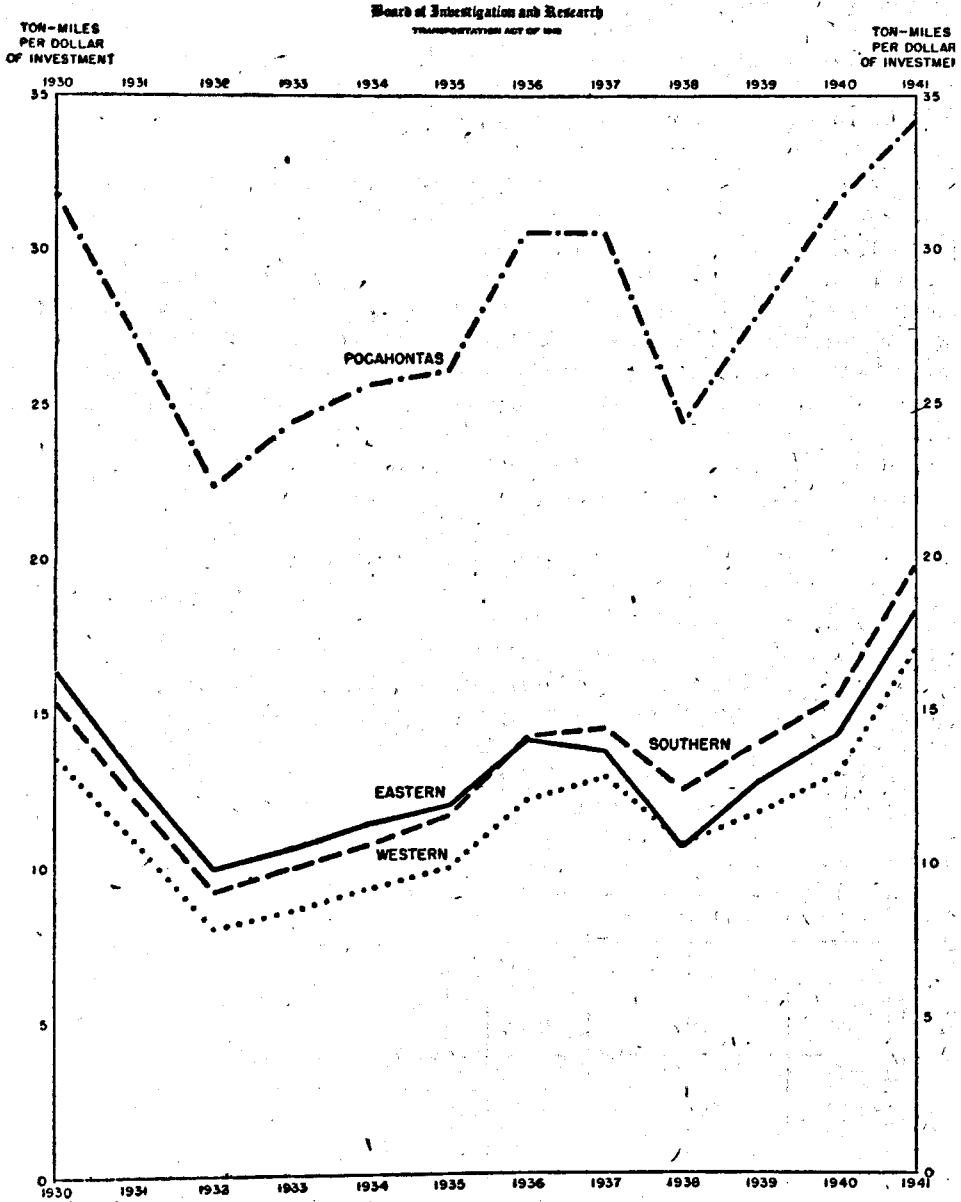
TABLE 180.—Revenue ton-miles per dollar of investment in road and equipment, class I line-haul railways, 1930-41¹

Year	Eastern District	Southern Region	Pocahontas Region	Western District
1930.....	16.28	15.27	31.77	13.52
1931.....	12.95	12.23	27.18	10.85
1932.....	9.88	9.19	22.33	7.94
1933.....	10.53	9.94	24.40	8.52
1934.....	11.32	10.72	25.61	9.25
1935.....	11.81	11.60	26.05	9.86
1936.....	14.09	14.12	30.59	12.10
1937.....	13.70	14.43	30.52	12.79
1938.....	10.51	12.44	24.32	10.63
1939.....	12.72	13.95	27.93	11.68
1940.....	14.21	15.48	31.51	12.89
1941.....	18.25	19.72	34.17	16.91

¹ Prior to 1937 the investment figures used are those of investment in road and equipment of class I line-haul railways, plus improvements on leased railway property, plus investment in road and equipment of lessors to class I railways. From 1937 to 1941 figures used are those of investment in road and equipment and other property used in transportation service. Strictly speaking the investment in property used exclusively in passenger service should be excluded before computing the figures in the table. Such figures are not readily available, however, and it is doubtful if they would greatly affect the relative figures as between regions.

Table 180 suggests that in all three territories the railroad plant has been fairly well adjusted to the traffic available, and hence that the pressure to resort to value-of-service or what-the-traffic-will-bear rate policies cannot be as great as if traffic could be increased greatly without additional capital expenditures.

The comparative utilization of facilities by the railroads in Eastern District, Southern Region, and Western District, as measured by the three standards described above, is shown by the relatives in table 181. The first set of three columns in the table shows that the traffic density of the Southern and Western lines is very unfavorable compared to that of the Eastern lines (Eastern density=100). On the basis of revenue ton-miles per mile of track as shown in columns 5, 6, and 7, the position of both Southern and Western roads is considerably better, relative to Eastern Territory. On the basis of revenue ton-



REVENUE TON-MILES PER DOLLAR OF INVESTMENT
CLASS-I LINE-HAUL RAILWAYS 1930-1941

FIGURE 29.

miles per dollar of investment the relative position of the Southern and Western roads is still better.

The regional differences in traffic density as shown by revenue ton-miles per mile of road, and revenue ton-miles per mile of track, suggest that a somewhat different distribution of the transportation burden in the different areas may not have been without a logical explanation. It is quite natural that Southern and Western railroads should have sought more revenue from the traffic which it was thought would bear it, and at the same time, to have maintained low rates on low-grade products of the areas which they served when low rates seemed necessary to encourage the development of traffic, and to bring about better utilization of facilities. A similar point was made by Dr. Lorenz in 1916. After mentioning the fact that the traffic density had reached a point in the Eastern District where additional traffic did not reduce unit costs appreciably, whereas traffic density in the South was much less, Lorenz pointed out that value of service was therefore a somewhat more important element of rate making in the South, temporarily at least, than in the East.⁷ But even if differences in traffic density explain, in part, existing differences in the distribution of the transportation burden, it does not follow that it is in the best interests of the carriers, or of the country, to continue to maintain such differences as now exist in class-rate levels in the different parts of the country. This does not mean that all regional differences in rates that cannot be justified by differences in transportation costs are objectionable. The part which value-of-service factors may properly play in rate making is discussed later in the chapter.

In connection with differences in traffic density, mention should be made of the fact that the regional differences in traffic density are not as great as individual railroad differences within area s.

TABLE 181.—*Relative utilization of facilities by Eastern, Southern, Pocahontas, and Western class I line-haul railways, 1930-41*

[Eastern District = 100]

Year (1)	On basis of revenue ton-miles per mile of road			On basis of revenue ton-miles per mile of track			On basis of revenue ton-miles per dollar of investment		
	Southern (2)	Pocahontas (3)	Western (4)	Southern (5)	Pocahontas (6)	Western (7)	Southern (8)	Pocahontas (9)	Western (10)
1930.....	43.93	233.72	38.30	60.97	246.64	55.12	93.80	198.15	83.05
1931.....	43.70	242.85	37.81	61.00	263.23	54.69	94.44	209.89	83.78
1932.....	42.70	258.86	36.02	59.72	282.53	52.02	93.02	226.01	80.36
1933.....	43.05	269.26	35.95	59.64	288.40	51.81	94.40	231.72	80.91
1934.....	42.66	265.35	36.81	59.07	280.40	53.02	94.70	226.24	81.71
1935.....	43.91	259.89	37.72	60.85	275.43	54.17	98.22	220.58	83.49
1936.....	44.86	261.67	38.99	61.77	275.44	55.83	100.21	217.10	85.88
1937.....	45.43	250.73	40.22	62.40	264.59	57.25	105.33	222.77	93.36
1938.....	51.63	261.07	43.87	70.90	274.29	62.31	118.36	231.40	101.14
1939.....	47.71	249.53	39.93	65.32	262.18	56.54	109.67	219.58	91.82
1940.....	47.28	253.90	39.11	64.93	264.93	55.48	108.94	221.75	90.71
1941.....	48.06	219.82	40.51	65.72	229.92	57.32	108.05	187.18	92.66

Tables 182, 183, 184, and 185 show the traffic densities of individual class I railroads in the Eastern District, Southern Region, Pocahontas Region, and Western District, respectively, for the year 1939. Even if the Staten Island Rapid Transit Co. is excluded as an extreme

⁷ "Cost and Value of Service in Railroad Rate Making." 30 Quarterly Journal of Economics 205, 219 (1916).

case, the range of traffic densities in the Eastern District was from a low of 233,975 ton-miles of revenue freight per mile of road carried by the Long Island Railroad Co. to 8,166,672 ton-miles transported by the Bessemer & Lake Erie. In the Southern Region the low was 222,711 ton-miles per mile of road for the Georgia & Florida, and the high was 4,803,650 ton-miles for the Cincinnati, New Orleans, & Texas Pacific. In the Western District the low was 91,778 ton-miles per mile of road for the Oklahoma City-Ada-Atoka Railway and the high was 3,039,131 ton-miles on the Duluth, Missabe and Iron Range.

TABLE 182.—Traffic density, individual class I railways in Eastern District, 1939¹

	Average miles of road operated	Ton-miles of revenue freight per mile of road		Average miles of road operated	Ton-miles of revenue freight per mile of road
Bessemer & Lake Erie.....	224	8,166,672	New York, New Haven & Hartford.....	1,873	1,411,472
Pittsburgh & Lake Erie.....	233	3,723,166	Chicago & Eastern Illinois.....	927	1,343,444
Detroit & Toledo Shore Line.....	50	5,682,494	Ann Arbor.....	294	1,238,773
Pennsylvania.....	10,288	3,376,501	Pere Marquette.....	2,115	1,167,200
Delaware, Lackawanna & Western.....	990	3,273,572	Boston & Maine.....	1,939	1,159,626
Delaware & Hudson.....	840	3,232,722	Central Vermont.....	426	1,151,528
Reading.....	1,450	3,200,685	Detroit, Toledo & Ironton.....	472	942,139
Erle.....	2,289	3,198,081	New York, Ontario & Western.....	576	873,229
Lehigh Valley.....	1,283	3,026,554	Akron, Canton & Youngstown.....	171	851,715
Wheeling & Lake Erie.....	508	2,738,242	Maine Central.....	994	610,628
Central of New Jersey.....	711	2,702,744	Illinois Terminal.....	485	607,987
Chicago & Illinois Midland.....	131	2,671,399	Pittsburg & Shawmut.....	101	586,013
New York, Chicago & St. Louis.....	1,704	2,653,469	Missouri-Illinois.....	390	533,478
Elgin, Joliet & Eastern.....	390	2,640,135	Rutland.....	407	432,758
Monongahela.....	172	2,601,690	New York, Susquehanna & Western.....	145	431,933
Baltimore & Ohio.....	6,368	2,407,704	Pittsburg, Shawmut & Northern.....	190	431,395
New York Central.....	11,008	2,364,538	Bangor & Aroostook.....	603	370,479
Western Maryland.....	870	2,211,037	Pennsylvania-Reading Seashore.....	412	290,771
Lehigh & Hudson River.....	97	2,137,325	Detroit & Mackinac.....	242	243,172
Montour.....	53	2,107,445	Long Island.....	382	233,975
Pittsburgh & West Virginia.....	136	2,054,117	Staten Island Rapid Transit.....	24	91,234
Cambria & Indiana.....	38	1,780,809			
Lehigh & New England.....	196	1,702,831	Average.....		2,322,114
Wabash.....	2,409	1,691,940			
Grand Trunk Western.....	1,023	1,656,965			
Chicago, Indianapolis & Louisville.....	549	1,438,894			

¹ Interstate Commerce Commission, Statistics of Railways.

TABLE 183.—Traffic density, individual class I railways in Southern Region, 1939¹

	Average miles of road operated	Ton-miles of revenue freight per mile of road		Average miles of road operated	Ton-miles of revenue freight per mile of road
Cincinnati, New Orleans & Texas Pacific.....	337	4,803,650	Northern Alabama.....	100	718,093
Clinchfield.....	308	3,043,661	Seaboard Air Line.....	4,317	693,162
Alabama Great Southern.....	315	2,151,877	Yazoo & Mississippi Valley.....	1,619	675,059
Louisville & Nashville.....	4,907	1,923,232	Central of Georgia.....	1,871	656,557
Illinois Central.....	4,949	1,849,698	Tennessee Central.....	286	633,035
New Orleans & Northeastern.....	204	1,430,490	Atlantic Coast Line.....	5,105	515,938
Southern.....	6,559	1,091,401	Florida East Coast.....	685	507,181
Mobile & Ohio.....	1,180	1,030,387	Atlanta, Birmingham & Coast.....	639	495,037
Atlanta & West Point.....	93	912,232	Georgia Southern & Florida.....	1,180	442,814
Nashville, Chattanooga & St. Louis.....	1,111	905,344	Norfolk Southern.....	805	419,665
Georgia.....	329	900,039	Columbus & Greenville.....	168	412,652
Gulf, Mobile & Northern.....	824	800,643	Mississippi Central.....	150	328,100
Western Railway of Alabama.....	133	763,142	Gulf and Ship Island.....	259	302,343
Charleston & Western Carolina.....	343	718,776	Georgia and Florida.....	408	222,711
			Average.....		1,107,930

¹ I. C. C., Statistics of Railways.

TABLE 184.—Traffic density, individual class I railways in Pocahontas region, 1939¹

	Average miles of road operated	Ton-miles of revenue freight per mile of road		Average miles of road operated	Ton-miles of revenue freight per mile of road
Norfolk and Western.....	2,191	8,117,081	Richmond, Fredericksburg & Potomac.....	.118	3,409,698
Chesapeake and Ohio.....	3,113	5,795,860			
Virginian.....	638	4,125,577			
			Average.....		4,794,209

¹ I. C. C., Statistics of Railways.TABLE 185.—Traffic density, individual class I railways in Western District, 1939¹

	Average miles of road operated	Ton-miles of revenue freight per mile of road		Average miles of road operated	Ton-miles of revenue freight per mile of road
Duluth, Missabe & Iron Range.....	540	3,039,131	St. Louis-San Francisco.....	4,832	754,134
Western Pacific.....	1,208	1,530,505	Toledo, Peoria & Western.....	139	725,024
Southern Pacific (including leased lines).....	5,656	1,370,330	Colorado & Southern.....	790	708,347
Kansas City Southern and controlled properties.....	879	1,361,261	Chicago & North Western.....	8,349	693,945
Union Pacific (including leased lines).....	9,901	1,318,877	Utah.....	111	670,209
Alton.....	938	1,307,776	Kansas, Oklahoma & Gulf.....	327	644,026
Beaumont, Sour Lake & Western.....	146	1,274,432	International-Great Northern.....	1,155	665,064
Chicago Great Western.....	1,805	1,191,825	St. Louis, Brownsville & Mexico.....	602	657,565
Great Northern.....	8,072	1,078,014	Denver & Salt Lake.....	232	619,039
Missouri Pacific.....	7,146	1,071,606	Missouri, Kansas, & Texas and controlled companies.....	3,294	647,366
St. Louis Southwestern and affiliated companies.....	1,693	970,311	Green Bay & Western.....	234	599,551
Texas & Pacific.....	1,936	957,867	Fort Worth & Denver City.....	902	549,953
Chicago, Burlington & Quincy.....	8,973	938,058	Minneapolis, St. Paul & Sault Ste. Marie.....	4,289	547,504
New Orleans, Texas & Mexico.....	191	911,452	Lake Superior & Ishpeming.....	156	548,187
Atchison, Topeka & Santa Fe and affiliated companies.....	13,456	869,132	Memphis & St. Louis.....	1,518	533,123
Chicago, Rock Island & Pacific.....	7,451	860,204	Northern Pacific.....	6,721	430,900
Denver, Rio Grande & Western.....	2,556	854,850	St. Louis, San Francisco & Texas.....	235	423,504
Louisiana & Arkansas.....	726	853,850	Burlington-Rock Island.....	255	345,925
Spokane, Portland & Seattle.....	949	851,817	Chicago, Rock Island & Gulf.....	627	371,430
Chicago, Milwaukee, St. Paul & Pacific.....	10,920	844,682	Spokane International.....	152	341,226
Chicago, St. Paul, Minneapolis & Omaha.....	1,629	837,542	Midland Valley.....	352	278,355
Northern Pacific.....	6,721	836,400	Duluth, South Shore & Atlantic.....	550	272,218
Texas & New Orleans.....	4,416	799,656	Missouri & Arkansas.....	365	262,112
			San Antonio, Uvalde & Gulf.....	317	230,632
			Nevada Northern.....	165	223,349
			Louisiana, Arkansas, & Texas.....	241	218,375
			Texas Mexican.....	162	183,612
			Oklahoma City-Ada-Atoka.....	132	91,773
			Average.....		927,227

¹ I. C. C., Statistics of Railways.

CONCLUSION

The differences in policies of rate-making, or in the distribution of the transportation burden, in the various rate territories have been defended on the ground that differences in traffic density, or in the degree of utilization of facilities, have made these differences necessary. The preceding paragraphs have shown that there are some regional differences in the volume of traffic in relation to railroad plant which may offer an explanation of historical differences in rate policy. Regional differences in utilization of railroad plant, however, are less than figures showing ton-miles per mile of road would suggest,

and are less than individual railroad differences within the various rate territories. The rate structures within regions have developed in spite of such individual railroad differences.

There is something particularly artificial in considering that moderate regional differences either in composition of traffic or in the utilization of railroad plant, make necessary a different pattern of rates, when greater differences are ignored within a rate territory. If each railroad could make its own rates it is doubtless true that such differences would be reflected in the rate structures of the individual lines. Under such a policy of rate-making, some railroads, now adversely affected by a regional rate structure, could improve their earnings. Regional structures, as we have noted, have developed in disregard of such individual road differences. To a large extent competition has forced this degree of uniformity in the rate structure. To some extent, also, the pressure of public opinion and the policies of regulatory authorities have brought about greater uniformity in rate structures, which disregards differences between individual railroads and differences between subareas within the major rate territories. In view of the differences, both in composition of traffic and in traffic density and other measures of utilization of facilities that now exist on different railroads, and in different parts of existing rate territories, it cannot be said that the lesser regional differences now existing require a different rate policy and different distribution of the transportation burden. This does not mean that complete uniformity in the rate structure is desirable, but merely that the present regional differences are not a necessary consequence of either differences in the composition of traffic or in density of traffic.

D. THE PLACE OF VALUE-OF-SERVICE FACTORS IN THE RATE STRUCTURE

In the preceding chapter it was shown that differences in average transportation costs in Eastern, Southern, and Western Territories, do not warrant the present differences in the levels of class rates, nor the differences in the levels of many commodity rates. Preceding sections of this chapter have indicated that neither regional differences in the composition of traffic, nor in the degree of utilization of railroad plant, make necessary existing differences in class-rate levels. It has been suggested, however, that a somewhat greater use of the value-of-service or what-the-traffic-will-bear principle in the South and West has been a logical consequence of the lighter traffic density in the latter areas.

There remains for consideration the extent to which differences in rate levels on particular commodities, or differences in the distribution of the transportation burden, may properly characterize the rate structure.

There is both legal and economic justification for differences in rates which are based upon differences in what the traffic will bear, even though there are no differences in costs of service. From the beginning of its existence the Interstate Commerce Commission has recognized that value-of-service considerations had a legitimate place in rate-making. In recent years, value-of-service considerations have received emphasis in two statutory enactments of Congress. The first of these statutory provisions was the Hoch-Smith Resolution,

enacted in 1925.* The importance of rates which will permit the movement of traffic was emphasized in the "true policy" of rate making which was laid down in the Resolution. This policy was "that the conditions which at any given time prevail in our several industries should be considered insofar as it is legally possible to do so, to the end that commodities may freely move." Amendments to section 15a of the Interstate Commerce Act in 1933 have also stressed the importance of considering demand factors in prescribing rates, i. e., factors which relate to the ability or inability of traffic to move under particular rates. Paragraph (2) of section 15a provides that: "In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed * * *."

The provisions of section 15a have been frequently cited by the Commission in justification of giving weight to value-of-service factors in fixing rates on particular commodities which will move only on low rates. For examples, see *Waste Material Dealers Assoc. v. Chicago, Rock Island and Pacific Ry. Co.*, 226 I. C. C. 683, 690-691 (1938), and *Hay Rates within Western Territory*, 195 I. C. C. 461, 477 (1933). The principle is sometimes invoked to justify low rail rates to meet the competition of other forms of transportation. For examples, see *Sugar from Gulf Coast Port Groups to Northern Points*, 220 I. C. C. 623, 643 (1937); and also *Fresh Sea Food from the South*, 210 I. C. C. 605, 613 (1935). The principle has also been invoked to justify low rates to meet market competition. See *Sugar from Gulf Coast Port Groups to Northern Points*, supra; also *State of Alabama v. New York Central R. R. Co.*, 235 I. C. C. 255, 327-328 (1939). To invoke the provision of the Act relating to "the effect of rates on the movement of traffic" to justify requiring the carriers to make competitive rates, either to meet market competition or to meet the competition of other forms of transportation, raises important questions of policy which need not be discussed here. The point which needs to be made at this point, however, is that there is legal sanction for departing from rates which would result from cost allocations in favor of modifications which will take into consideration the ability or inability of traffic to stand existing or proposed rates.

From an economic point of view variations in rates to take into account differences in the ability of the traffic to stand a charge are justified, if kept within proper limits. It would be highly arbitrary, and contrary to practical business sense, to make rates on a commodity which were based on an allocation of constant or overhead expenses, without paying some attention to whether the traffic will move on the resulting rates. Rates on particular commodities or on particular movements should cover direct costs and make some contribution to constant or overhead costs, including a return on capital invested. It is doubtless true that in the past this policy of rate-making has been abused, both by making rates under the stress of competition which did not really cover direct costs, except possibly from a short-run point of view, and also by charging excessive rates on such traffic as could stand it. It is also true that such a policy has led to wasteful and uneconomic competition. It should be made clear, however,

* 43 Stat. L. 801.

that charging rates on low-grade traffic does not cast a burden on other traffic so long as the rates more than cover the direct costs, and so long as it induces the movement of traffic that would not otherwise move. On the contrary, it reduces unit costs, and hence lowers the cost of carrying the high-grade traffic. This principle operates much more strongly when there is insufficient traffic to utilize the carrier's facilities fully. That there is economic justification for some variation in rates among commodities on the basis of the effect of the rates on the volume of traffic has long been recognized.⁹ In the light of the foregoing discussion it should be clear that to pay some attention to the effect of rates on the movement of traffic is not inconsistent with giving consideration to the revenue needs of the carriers. In fact, to prescribe rates strictly on a cost allocation, in disregard of the effect of rates on the movement of traffic, would be inconsistent with giving consideration to the revenue needs of the carriers.

If it is granted that some deviations in rates from those which would result from a strict allocation of constant or overhead costs are justified, the further question is raised of the extent to which existing differences in class and commodity rates are justified.

So far as class rates, as a whole, are concerned, it cannot ordinarily be said that one territory is justified in making them higher or lower than another because of value-of-service considerations. Class traffic is not a homogeneous thing. It is made up of thousands of articles of varying abilities to pay transportation charges, and among which there may be important regional differences. It is equally illogical to consider that manufactured articles, as a group, will or will not stand higher rates in one territory than another because of differences in what traffic will bear. If value-of-service factors are to be given consideration, and if they may possibly justify higher or lower rates on particular commodities in one territory than another, each commodity or article must ordinarily be considered separately, and the factors affecting the rates it can pay must be analyzed. In other words, if regional differences in value-of-service factors are to be given any recognition, it should be done on a commodity basis. This would have to be done either through the freight classification process,¹⁰ or by means of commodity rates. An exception to the statement that value-of-service factors must be considered on an individual commodity basis may be necessary when the competition of other forms of transportation puts a limit on what railroads can charge without diverting traffic to the other agencies. In such situations factors limiting ability to stand transportation charges may apply to all commodities or large classes of traffic.

The present differences in commodity-rate levels on many of the commodities referred to in chapter IV cannot be justified by differences in transportation costs, and have their explanation, in part, either in differences of opinion concerning a proper rate level, or in real or assumed differences in the value of service or what the traffic will bear. In the same way, the extreme differences in the levels of class rates which arise out of different classification or exceptions ratings

⁹ See references cited on p. 300, supra, footnote 6.

¹⁰ If a uniform freight classification were adopted, any justifiable regional differences in ratings based on differences in value-of-service factors would be published as classification exceptions.

in the different territories must have their explanation to a large extent, either in differences in the judgment of those responsible for making rates, or in real or imagined differences in what the traffic will bear.

CONCLUSION

The effects of rates on the movement of traffic, and hence on carrier revenues, must be taken into consideration in the fixing of rates, and may justify some regional differences in rates on particular commodities which cannot be justified by differences in transportation costs. If regional differences in such value-of-service factors are to be given consideration in rate-making, it should be done on a commodity basis, that is, through the freight classification process, or by means of commodity rates. Generally speaking, it is illogical to speak of higher or lower class rates as a whole in any region as justified by differences in value-of-service factors.

CHAPTER XI

ANALYSIS OF VARIOUS SUGGESTED SOLUTIONS OF THE INTERTERRITORIAL FREIGHT RATE PROBLEM

In this chapter a number of suggestions which have been made from time to time for dealing with the interterritorial freight rate problem are discussed.

A. INDIVIDUAL ADJUSTMENTS IN PARTICULAR CASES

Those who are satisfied on the whole with the present interterritorial freight rates defend the present structure and suggest no general modification thereof. They are willing, however, to admit that individual instances arise in which readjustments may be found desirable. They prefer that these adjustments be made through the process of negotiation between shippers and the carriers, or, if necessary, by action of the Interstate Commerce Commission in individual cases brought before it. These suggestions assume a continuance of regional differences in rate levels and of the general bases of constructing interterritorial rates, but do not preclude the possibility of a general change as a result of comprehensive investigations by the Interstate Commerce Commission to the extent that existing rates may be found unlawful under the provisions of the Interstate Act. It is the contention of this school of thought, however, that the present, or at least substantial, differences in rate levels are justified; that the present methods of constructing interterritorial rates are generally satisfactory; and that the only need is for modification in individual situations where the existing bases of rates can be definitely shown to be unreasonable, unduly preferential or prejudicial, or otherwise unlawful.

An examination of numerous cases which involve the adjustment of interterritorial rates which have come before the Commission reveal the major weaknesses of this method of dealing with interterritorial rates.

In the first place, the proceedings are too limited in scope to get at the fundamental issues involved. The cases are decided against a background of the existing general rate structure which is not under attack as a whole. To a considerable extent the Commission accepts the intraterritorial rate levels either as reflecting differences in transportation costs or as reflecting differences in the distribution of the transportation burden. The proceedings are not ordinarily broad enough to warrant a revision of the whole rate structure and a review of the intraterritorial levels. If the Commission accepts the differences in intraterritorial rate levels as justified, or beyond the scope of the proceeding before it, it cannot logically do other than insist on a blending of the different levels in making interterritorial rates, unless some special reason can be shown for doing otherwise..

The Commission, however, has in a number of cases reduced interterritorial rates when a blending of two different intraterritorial levels would not permit a free flow of traffic, or when the blended level seemed to impose serious handicaps on producers in the higher-rated territory. In so doing, however, the Commission's action has been inconsistent with the assumption that the intraterritorial levels are reasonable on the basis of differences in transportation costs and differences in the distribution of the transportation burden in the different territories. To justify such action, the Commission has based its decision in some instances on the dubious ground that departure from a blended basis of rates was necessary to enable the manufacturers in a higher-rated territory to compete with those in a lower-rated area.

For examples of cases in which the Commission has justified the construction of rates from the South to the North on the northern level, in part at least, by reference to purely "commercial" rather than transportation conditions, see *Hosiery from Southern Points*, 156 I. C. C. 117, 130-131 (1929), and Commissioner Eastman's dissenting opinion therein, pp. 132-133; *Coke from Alabama and Tennessee to Central Territory*, 208 I. C. C. 281 (1935), 215 I. C. C. 384 (1936), and Commissioner Meyer's dissenting opinion therein, 215 I. C. C. 387, 387-388; *Sugar from Gulf Coast Port Groups to Northern Points*, 220 I. C. C. 623 (1937); and dissenting opinion of Commissioner Miller, therein, pp. 644-645; and *State of Alabama v. New York Central R. R. Co.*, 235 I. C. C. 255 (1939), 237 I. C. C. 515 (1940), and dissenting opinion of Commissioner Eastman therein, 235 I. C. C. 333, 334-339. In connection with the last-mentioned case it should be noted that the Commission was satisfied that differences in transportation costs did not warrant interterritorial rates higher than the northern level, although if the case had turned on that point alone, the Commission would have reduced the interterritorial rates on all of the commodities in the complaint, instead of on a limited number. In all of the above cases the circumstances may have warranted the reduction of the rates from the South to the North to the northern level, but the soundness of the contention that the commercial necessities of shippers, instead of differences in transportation costs, should be a factor in the disposition of cases which involve competition between rival sets of producers in attempting to sell goods in common markets is certainly questionable.

No solution of the interterritorial freight rate problem is possible by piecemeal adjustments based on principles of rate making which are lacking in consistency and are of questionable soundness, and without inquiry into the basic underlying source of the difficulties—the differences in the levels of intraterritorial rates on the commodities in question. These underlying causes of the difficulty with interterritorial class rates have been brought in issue, so far as the rates east of the Rocky Mountains are concerned, in the class rate investigation now before the Commission.

Another difficulty with the attempt to deal with the interterritorial rate problem through piecemeal adjustments is that it appears to place small shippers and new industries at a disadvantage. The larger shippers and well-established industries are more likely to obtain favorable rate adjustments through negotiations with the railroads. This is a natural consequence of the fact that they have the traffic to offer, and are the shippers and industries which the railroads, acting in their

own self-interest, are most likely to heed. If favorable rates cannot be obtained through negotiations with the carriers, and there is resort to litigation before the Interstate Commerce Commission, the large shippers and the established industries again appear to have the advantage. Formal complaints will ordinarily be prosecuted only by those who are already established in business, and who can show that they are adversely affected by the existing rate adjustment. Smaller shippers and new industries may not obtain relief from unjustifiable rates, either because of the difficulty, expense, and slowness of litigation, or because of the difficulty of making satisfactory proof that the rates complained of are in violation of the law.

The basic complaint which is currently being made against the structure of interterritorial rates is that it prevents the industrial and economic development of the regions having higher rates. Although the importance of the rate structure in explaining the lack of industrial development in the West and South has often been exaggerated, no substantial change in rates can be expected, except over a long period of time, if change must wait for the establishment of industries to bring complaints. The normal development of industry or other economic activity in any section of the country should not be restricted by rate differences that cannot be justified primarily by differences in transportation costs.

B. THE DESTINATION-LEVEL THEORY

One suggestion which has frequently been made as a solution of the interterritorial rate problem is to make interterritorial rates on the basis of the level prevailing in the destination territory. This policy of rate making has been urged upon the Commission in many cases involving interterritorial rates. It has also been suggested that Congress, by legislation, require that interterritorial rates be constructed on the basis of the destination level. Bills to accomplish this end were introduced in Congress in 1939.¹ Aside from the general objection that a legislative rule of rate making may prove to be too inflexible to meet exceptional situations, the destination-level basis should not be required by law, even with provision for exceptions, unless it commends itself as appropriate generally.

The destination-level basis of rate making has a strong appeal to shippers in the higher-rated territories. It permits them to ship into a lower-rated territory on the lower level of rates, giving them a mile-for-mile equality with the shippers located in the lower-rated territory. Furthermore, the destination-level basis acts as a protective tariff to the producers in the higher-rated region, since the producers in the lower-rated territory, when shipping to points in the higher-rated territory, are forced to pay rates for the whole distance on the basis of the higher level. The destination-level theory also has some appeal to the carriers in the higher-rated territory. This basis of rate making would enable the railroads to help shippers on their lines to compete in markets in the lower-rated territory, without challenging the higher intraterritorial level of rates which they do not wish to disturb.

The Interstate Commerce Commission has refused to subscribe to the theory that, as a matter of principle, interterritorial rates should

¹ See Hearings, 76th Cong., 1st sess., on S. Res. 99, S. 126, S. 137, and S. 1483, S. 158, S. 1299, S. J. Res. 27.

be constructed on the destination-level basis. In fact, the Commission has pointed out on various occasions that it cannot prescribe the destination level except under special circumstances that warrant it. In *Colorado Portland Cement Co. v. Ahnapes and Western Railway Co.*, 142 I. C. C. 597, 603 (1928), the Commission replied to the plea for rates on the destination level by saying: "As hereinbefore stated, it is conceded that application of the principle must be grounded upon commercial, rather than transportation conditions." In *Iron and Steel Articles between the North and the South*, 213 I. C. C. 51, 54 (1935), the Commission said:

Logically * * * the interterritorial traffic should be accorded a basis somewhere between these levels which will reflect as nearly as possible the advantages and disadvantages of the conditions incident to the hauls within the respective territories. This is especially true where, as here, both northern and southern manufacturers are in direct competition in each territory. The destination-level theory advocated by southern respondents on the north-bound traffic disregards this situation. The theory implies that transportation conditions calling for higher rates in Southern Territory may be ignored in the north-bound direction while they may be used to justify an arbitrary on the same traffic in the reverse direction.

The destination-level basis was inferentially disapproved by the Commission in the sixth supplemental report in *Western Trunk-Line Class Rates*, 204 I. C. C. 595, 671 (1934), when the Commission considered the question of whether the origin or the destination classification should apply on interterritorial shipments. The Commission said:

This proposition should not be confounded with the theory advanced by some that the rate level in the destination territory should apply to the through movement. Composite interterritorial rates which approximate the lawful rate levels encountered in the respective territories traversed, such as produced by the Western Trunk-Line formula, are neither unreasonable nor unduly prejudicial from a rate viewpoint.

It must also be recognized that the Commission has placed interterritorial class rates generally on a blended basis, and in a few cases has gone to considerable length to defend a basis of interterritorial rates that reflected the various intraterritorial rate levels to the extent that the movement occurs in each territory. An outstanding example of this is in *Cottonseed, Its Products, and Related Articles*, 188 I. C. C. 605, 635-636 (1932). Although the Commission abandoned the so-called cottonseed formula in a supplemental report, 203 I. C. C. 177 (1934), it prescribed a basis which would "not depart to any marked extent from the rates which would result from the formula" (p. 179).

There are some decisions, however, in which the Commission has shown a leaning toward the destination-level doctrine. In *Stoves, Ranges, Boilers, and House-Heating Furnaces*, 182 I. C. C. 59, 62-63 (1932), the Commission said:

In determining whether in this case it is proper to have higher rates south-bound than north-bound it must be borne in mind that we are here dealing with the inter-territorial movements between a lower-rated territory and a higher-rated territory. In such a case it follows that if the rates in both directions are made the same, those using the north-bound rates will be at a disadvantage in competing with shippers within the lower-rated Official Territory and those using the south-bound rates will have an advantage over those shipping on the higher rates applicable within the South.

Commissioner Eastman, in the same case, effectively answered the above argument by saying:

In this case the southern shippers are asking only that transportation conditions be considered in determining the proper rate relation, and they are on sound ground in so asking. However, it is undeniable, I think, that in the past both southern manufacturers and southern carriers have shown a tendency to demand that the rates to the North be equalized in level with those within the North, on the ground that such equalization is commercially essential to the southern industries. It is a sufficient answer to say that it is not our province to equalize commercial conditions (p. 74).

The cases mentioned previously in which the Commission prescribed the northern level of rates on certain commodities moving from the South to the North² might be construed as acceptance by the Commission of the destination-level theory. The circumstances surrounding those cases, however, were complex, and the decisions could be explained on other grounds. They should not, therefore, be taken as acceptance of the destination-level basis of making interterritorial rates. There is a recent case, however, in which the Commission seems to have been governed by the destination-level theory and the philosophy behind it. The case referred to is *Paper, Official-Illinois Territories to the South*, 238 I. C. C. 104 (1940). In this case south-bound rates were in issue and they were placed upon the higher Southern level, instead of upon a blended basis. That the Commission was impressed by the philosophy behind the destination-level theory is revealed by the following language in the decision:

Since a producer's ability to distribute his products is naturally affected by the relation between the rates he pays and those paid by his competitors, there is sound reason for believing that the establishment of rates south-bound lower, mile for mile, than the level of rates in Southern Territory in conjunction with the approved north-bound rates would seriously handicap southern shippers of pulp and paper articles and thus have a tendency to discourage further development of the industry in the South to the disadvantage of consumers in both territories (pp. 106-107).

That commercial equality was uppermost in the mind of the Commission in this case is also shown by the statement that:

Observance of the destination level and system of rates as the minimum and the pattern in constructing these interterritorial rates, even though it results in different rates over the same lines of railroad in reverse directions, would place all shippers and receivers on as nearly an equal basis, from a practical and realistic point of view, as existing conditions will permit (p. 110).

The decision of the Commission in the *Paper case* brought forth a dissent from Commissioners Eastman, Mahaffie, and Miller.

In analyzing the destination-level basis of constructing interterritorial rates it is necessary to distinguish between a situation in which the different levels of rates within the origin and destination territories on the commodity in question are based on differences in transportation costs, and one in which the different intraterritorial levels have their basis in differences in the distribution of the transportation burden, or in what-the-traffic-will-bear considerations.

In the former case the destination-level basis is objectionable on several grounds. In the first place it ignores differences in transportation costs. If regional differences in the rate levels on the particular commodity under consideration are justified by differences in transportation costs, rates constructed on a blended basis are not

² P. 314, supra.

unreasonable. For the Commission to require a lower basis on shipments moving from the higher-rated to the lower-rated territory is to ignore the higher costs in the origin territory. On traffic moving from the lower-rated to the higher-rated territory the destination-level basis is unfair in that it makes no allowance for the fact that a portion of the haul takes place in the lower-rated territory. Here again the logical basis for constructing the rates is one in which the transportation costs in both territories are recognized to the extent that the movement takes place in each. The destination basis of rate making is similar in its effect to a bounty to the shippers in the higher-rated territory when they ship to a lower-rated territory, and a protective tariff to protect them from outside competition in their own territory.

In the second place, the destination-level basis of rate making results in different rates in opposite directions. Although such rates may sometimes be justified even on the basis of cost considerations, the destination-level basis would make the rates different in opposite directions whether cost considerations justify it or not.

A third objection to the destination-level basis of rate making is that it places too much emphasis on purely commercial considerations, or the competitive necessities of shippers, in rate making. In fact, for the Commission to require rates on this basis would be in conflict with the principle, recognized repeatedly by the Commission and the courts, that it is not the province of the Commission "to attempt to equalize fortune, opportunities, or abilities" in disregard of transportation costs, or to make the ability or inability of one set of producers to compete with another set of producers in common markets the criterion of rate reasonableness or unreasonableness.³

One more point regarding the destination-level principle needs to be considered with care. When differences in intraterritorial rate levels reflect differences in transportation costs should a blending of intraterritorial levels in fixing interterritorial rates be modified by considerations of "what the traffic will bear" or "the effect of rates on the movement of traffic"? Sometimes the situation is such that traffic will not move from the higher-rated territory to the lower-rated area on a blended rate level, and the destination level is required if producers of a product in the higher-rated area are to compete with producers in the lower-rated area at destinations in the latter. Situations of this kind probably explain, in part, the instances in which the Interstate Commerce Commission has leaned toward the destination-level theory. Where differences in intraterritorial rate levels are based on differences in transportation costs, it would appear that the wise policy, from the point of view of facilitating the most economical location of industries, would be to make no concession to the destination-level theory, but to have the interterritorial rates reflect the costs of the higher-rated region to the extent that movement occurs therein. This policy would encourage the location of industries in the area having lower transportation costs, and discourage their location in the region with higher costs except where other advantages offset the disadvantage of higher transportation costs. This policy should be administered, however, with an eye on the possibility that

³ *Interstate Commerce Commission v. Duffenbaugh*, 222 U. S. 42 (1911). For a discussion of this principle see I. L. Sharfman, *The Interstate Commerce Commission*, vol. III-B, pp. 656-693.

the high costs in one area result from its light traffic density, and that the light traffic density may result from the freight rates charged.

For the reasons stated above, it would be unfortunate if legislation were enacted which required that interterritorial rates be constructed on the destination-level basis. It would also be unfortunate if the Interstate Commerce Commission adopted the view that, as a matter of principle, interterritorial rates should be constructed on the destination level.

To the extent that carrier and market competition is allowed to affect the rate structure, voluntary reductions of rates from high-rated to low-rated areas to the basis prevailing in the destination area will not be uncommon. Although this policy causes some economic waste, that waste is probably a small price to pay for the advantages of carrier and industrial competition if the competitive rate making is held within reasonable limits.

The foregoing discussion of the destination-level theory of constructing interterritorial rates has assumed that the territorial differences in the rates on the commodity in question were justified by differences in transportation costs in the different territories. When differences in intraterritorial levels are not based on differences in transportation costs, but result from differences in the distribution of the transportation burden, or differences in rate policy which have their foundation in real or imagined differences in what the traffic will bear, the case against the destination-level basis must be reexamined.

In such cases it cannot be said that the destination-level basis ignores differences in transportation costs; nor can it be said that a blended basis is required to reflect differences in transportation costs. In situations of this sort, however, it would seem reasonable to require interterritorial shipments to contribute to the transportation overhead on the same basis as intraterritorial traffic, in proportion to the haul in each territory. In other words, a blended basis of rates would seem desirable. When the traffic from the higher-rated to the lower-rated territory will not bear such a rate, however, it may be both wise and expedient to put the interterritorial rate on the basis of the lower-rated territory or as near thereto as may be necessary. It is simply a case in which the interterritorial traffic will not stand the same distribution of the transportation burden that the intraterritorial traffic will stand. This departure from a blended basis of rates, it should be noted, is limited to situations in which three conditions prevail concurrently: First, that the differences in intraterritorial levels on the commodity involved are based on value-of-service or what-the-traffic-will-bear considerations, or merely on differences in rate policy; second, that transportation costs are substantially the same in the two territories; and, third, that the traffic from the higher-rated to the lower-rated territory will not stand rates constructed on a blended basis. In situations of this kind, however, it would be well to be sure that the differences in intraterritorial levels are justified, and that they represent legitimate use of the value-of-service or what-the-traffic-will-bear principle. The situation again emphasizes the need for reexamining differences in intraterritorial levels on particular commodities.

C. UNIFORM CLASS-RATE LEVELS AND UNIFORM CLASSIFICATION

The remedy most commonly urged as a solution of the interterritorial freight-rate problem is to establish a uniform class-rate level, and a uniform freight classification, applicable throughout the country. It is important to note that neither a uniform classification alone, nor uniform scales of class rates alone, would bring about equality in rate levels. This situation arises, in part, from the fact that many differences in classification ratings (in terms of percent of first class) grow out of differences in the levels of first-class rates. The effect of establishing uniformity in ratings, in percent of first class, without changes in the class-rate scales, or of establishing a uniform level of first-class rates without changing existing ratings, can be seen from an examination of table 66 in chapter III.⁴ That table shows the extent of the differences in class-rate levels in the South and Official Territory, after taking into consideration the differences in classification and exceptions ratings. If the applicable ratings were made uniform, but no change was made in the levels of first-class rates, the rates on all commodity descriptions in the South would be 39 percent higher, on the average, than in Official Territory. This would leave unaffected the relative rate levels on 4,034 carload commodity descriptions, and 5,742 less-carload commodity descriptions, on which ratings are now uniform. It would reduce the spread⁵ between the Southern level and the Northern level on the 4,315 carload commodity descriptions, and 295 less-carload descriptions, on which the spread now exceeds 39 percent. On the other hand, it would raise the Southern level relative to the Northern level on 1,369 commodity descriptions on which the Southern rates are now either the same as or lower than the Northern level, and would increase the spread between the levels on 4,741 commodity descriptions on which the Southern level now exceeds the Northern level by less than 39 percent.

A uniform scale of class rates, without a change in ratings, would equalize rate levels on 4,034 carload commodity descriptions and 5,742 less-carload descriptions, since they now have the same ratings in the two territories, in percent of first class. It would leave the Southern rate level somewhat higher than the Official Territory level on the 4,315 carload commodity descriptions and on the 295 less-carload commodity descriptions, on which the Southern level now is more than 139 percent of the Official Territory level. On all other commodity descriptions, 2,043 carload descriptions, and 4,030 less-carload descriptions, the Southern level of rates would be lower than the Official Territory level.

It is thus apparent that the establishment of uniformity in rate levels would require both a revision of the levels of the class-rate scales and a revision of the classification ratings.

1. ADVANTAGES OF UNIFORMITY IN RATE LEVELS⁶

Uniformity in rate levels, to the extent that it is practicable, would be desirable for a number of reasons. In the first place, it would remove any unjustifiable rate differences which may now result from the

⁴ P. 88, above.

⁵ This section is written with special reference to class rates but the arguments apply also to some commodity rates as is mentioned later.

spreads between interterritorial rates, and rates in the lower-rated territory. Such differences arise principally from the fact that, for the most part, interterritorial class rates represent a blend of the intraterritorial levels, but in many instances the differences in intraterritorial levels cannot be justified. Insofar as the interterritorial rates blend different intraterritorial levels which are not themselves justified by differences in transportation costs, the interterritorial rates do not properly reflect costs. It has also been noted that even if regional differences in class-rate levels were justified by differences in transportation costs, the present basis of constructing interterritorial rates would be to some extent objectionable, because it generally results in rates that are not a proper blend of the two intraterritorial rate levels, but in rates that are too close to the level of the higher-rated territory.

The fact that the Interstate Commerce Commission has, in some instances, prescribed interterritorial rates on individual commodities from the higher-rated to the lower-rated territories on the destination level, or close thereto, is a recognition that it is sometimes improper to make interterritorial rates reflect intraterritorial rate levels, when the differences in intraterritorial levels are greater than can be justified by differences in transportation costs. The railroads themselves seem to recognize that the blending of existing intraterritorial levels in the construction of interterritorial rates does not always result in appropriate rates, since they voluntarily depart from this basis on occasion to aid producers in a higher-rated territory in selling their products in a lower-rated territory.

A second advantage that would be derived from making class-rate levels as nearly uniform as conditions will permit arises from the fact that relief from the present general basis of constructing interterritorial rates is commonly granted to shippers of some commodities and not to others, or to some shipping points and not to others. This results from the fact that the railroads, when convinced that it is to their advantage to do so, will voluntarily establish interterritorial rates from particular points, or on particular commodities generally, on a more favorable basis. As a result, shippers or industries with a greater bargaining power may get relief from the general basis. Smaller shippers, or industries attempting to establish themselves, particularly if their operations will not be very extensive, labor under the disadvantage of a rate basis from which the more fortunate have obtained relief. Some shippers, refused a lower interterritorial basis of rates, succeed in obtaining relief by resort to the Interstate Commerce Commission. Here again, as has been previously pointed out, the larger shippers, having ample financial resources, appear to have an advantage over the smaller ones because of the slowness and expense of litigation. It is desirable that a basis of interterritorial rates which is fair for new as well as established industries, and for small as well as large shippers, be established as a general basis.

Another advantage in the establishment of such uniformity of rate levels as is practicable is that it would facilitate the location of industries in the most advantageous locations, unhampered by unjustifiable freight rates. Although the existing patterns of industrial location in the United States may be explained in large measure by considerations other than the differences in freight-rate levels, and prob-

ably would not be drastically changed by equalization of the rate levels, freight rates are a factor which cannot be ignored in determining on a plant location. Freight rates are also important in determining the output of established locations, since they frequently limit the size of the market area that an individual producer or group of producers can serve.

Lastly, it should be pointed out that the establishment of such uniformity in class-rate levels as is practicable would greatly simplify the freight-rate structure and freight tariffs. This is in itself a desirable end. Many of the complexities in the rate structure grow out of regional differences in rate levels and the methods of constructing rates from one territory to another.

In addition to these reasons for the establishment of a uniform level of class rates, insofar as it is practicable, it may well be pointed out that if the railroads were operated privately as one huge system the present differences in rate levels in different regions would in some instances be in violation of section 3 of the Interstate Commerce Act, which prohibits undue preference and prejudice, since many of the differences could not be justified by differences in transportation costs or by other valid considerations. It may also be observed that under Government ownership and operation of railroads the present inequality in rate levels would probably not be tolerated, since it would be considered as favoring one section of the country and discriminating against the others.⁶

2. OBJECTIONS TO UNIFORMITY OF RATE LEVELS

There are several objections to the establishment of uniform rate levels, either class or commodity, throughout the United States. One of these is that uniformity in rate levels would ignore differences in transportation costs. The extent to which regional differences in transportation costs should be reflected in the class rate levels is more fully discussed below. Regional differences in costs are also discussed in connection with commodity rate levels.

A second objection to uniformity in rate levels is that it would disregard differences in rate policy which are founded upon differences in value-of-service or what-the-traffic-will-bear factors. It has been pointed out earlier in this report that there is a place for the recognition of demand factors in fixing railroad rates. Any intelligent rate policy must take into consideration the effect of proposed rates on the movement of traffic.

Value-of-service factors play an important part in the making of commodity rates. So far as class rates are concerned, differences in rates on particular articles based on differences in value-of-service factors can only be brought about through the process of freight classification. Any attempt to establish uniformity in rate levels must recognize that there may be some justifiable differences in rate levels on particular articles in different areas which grow out of differences in the conditions of demand. Recognition of this fact, however, is by no means blanket justification of all existing differences in rate levels on particular commodities that cannot be justified by cost-of-service considerations.

⁶ Under Government ownership of railroads it is quite likely that equality in rates would be demanded even where transportation costs differ greatly, and also that other sorts of preferences might be sought.

A third objection to uniformity in rate levels is that it would result in a too rigid rate structure, and would upset many competitive adjustments of long standing to which industry has become adjusted. It is clear that a revision of the rate structure would remove some of the freight rate advantages of this nature. Some northern manufacturers, for instance, would presumably lose rate advantages, arising out of the class-rate structure, which they may now have over rival manufacturers in the South. Various Southern and Western interests, now having advantageous rates arising out of differences in classification or exceptions ratings would presumably lose these advantages in any wholesale equalization of class-rate levels. The fact that some shippers or localities would lose rate advantage now possessed should be no bar to a revision of the rate structure if such rate advantages have no adequate justification.

It should be recognized also that the establishment of uniformity in rate levels, or greater approach thereto, would not necessarily bar the way to individual competitive rate adjustments resulting from carrier or market competition. Such adjustments exist today both in the commodity rate structures and in the class rate structures, and although they may often have been carried too far, the establishment of greater uniformity in rate levels would not necessarily mean a rigid rate structure in which no competitive adjustments are allowed.

3. TO WHAT EXTENT IS A UNIFORM FREIGHT CLASSIFICATION PRACTICABLE?

Nearly every railroad in the United States originally had its own freight classification. Later, the railroads formed pools and traffic associations for the purpose of controlling rates in local territories, and a process of unifying the many freight classifications began. In 1886, when a Senate committee made its report submitting a bill which, with amendments, became the Act to Regulate Commerce, there were about 50 different classifications in use in the United States. The enactment of the Act to Regulate Commerce, in 1887, was a stimulus to further efforts to unify the classifications, and before the act went into effect the number of classifications had been reduced to 3 major ones, plus some minor ones that later disappeared.

The Interstate Commerce Commission, in its first annual report, indicated that a uniform classification of freight was desirable.⁷ An unsuccessful attempt was made to unify the Official and Western classifications in 1887 and 1888. The interests of the Eastern and Western lines were so different that they could not agree upon a classification. In December of 1888 a convention of traffic officers from the principal rate associations met in Chicago in another effort to establish a uniform classification. A committee was appointed to draw up such a classification, and it finally produced a proposed uniform classification which it recommended should be adopted by all the carriers on January 1, 1890. The Eastern trunk lines refused to adopt the classification and it never went into effect. The Western roads, it is understood, stood ready to reject it also, for fear that it would mean a loss of revenue to them.

Various efforts have been made to enact legislation which would compel the carriers to establish a uniform classification, or which

⁷ First Annual Report, 1887 pp 30-32.

would direct the Commission to prescribe one. No legislation of this sort was ever passed by Congress. The Interstate Commerce Commission has, from time to time, expressed the belief that uniformity in classification was desirable.⁹ The task of establishing a uniform classification is probably rendered more difficult today than ever before by the existence of so many classification ratings on particular articles that are designed to offset, in whole or in part, differences in the levels of first-class rates in the different territories.

A study of the various efforts to establish a uniform classification of freight reveals that one of the principal stumbling blocks to the attainment of uniformity has been the fear of particular carriers or groups of carriers that their revenues would be adversely affected. The establishment of a uniform classification limits in some measure the ability of the carriers to adjust rates to the conditions on their lines or in the areas which they serve. The establishment of uniformity in ratings is apt to affect adversely some carrier or group of carriers desiring a higher or lower rating on a particular commodity. In many instances the differences in ratings grow out of a desire of the carriers in a particular area to aid industries on their lines; and in other cases they result from an effort to exploit the possibilities of higher rates on certain commodities than are feasible in another area. Diversity of economic conditions, and the necessity for ratings which will meet the conditions peculiar to a particular territory, are pointed out in defense of the maintenance of the different classifications.

The same arguments which are used against the establishment of a uniform classification were used against the establishment of uniformity within the present classification territories. Differences in conditions existing within the major territories are fully as great as those among the territories. In spite of this situation, however, uniformity was attained within the three classification territories. No doubt this adversely affected the revenues of some carriers which might have fared better if they had had a free hand in classifying their freight. Such departure from uniformity within a classification territory as now exists is accomplished through classification exceptions of limited application, or through the establishment of commodity rates.

In determining whether uniformity of classification is possible, attention should be called to the fact that if cost-of-service considerations alone determined the rating of an article, the classifications in the different territories would be substantially uniform. This would be true regardless of differences in transportation costs generally, in the different territories. A freight classification based on cost-of-service principles would group commodities according to the relative costs of transporting them. Generally speaking, if it costs more to transport one article than another in one territory, it costs more to transport the first article than the second in all territories. There are doubtless some exceptions to this situation, growing out of differences in products produced in one area and those of the same name or description produced in another, but the number of instances in which this would happen would be very limited. Some regional differences in the relative cost of transporting commodities might arise from differences in quantities shipped, methods of handling, and differences in equipment used, but these again would be of limited number.

⁹ For a comparatively recent comment to this effect, see *Western Trunk-Line Class Rates*, 164 I. C. C. 1, 217 (1930).

It is because cost-of-service factors are not the sole consideration in classifying freight that such a variety of ratings exists on the same articles in different territories. In fact, many of the differences in ratings probably rest upon nothing more substantial than different ideas of rate-making officials concerning what the commodity should properly be called upon to pay. On the great majority of articles in the classification there are probably no significant territorial differences in value-of-service characteristics. On other commodities, differences in what the traffic will bear may exist, and may be of sufficient significance to warrant different ratings in one territory than in another.

There is no convincing reason why a uniform classification for general application throughout the United States could not be adopted. Such a classification would be desirable in that it would eliminate many unjustifiable differences in rates. Any necessary or desirable regional or local differences in ratings could be published in classification exceptions of limited application in the same way that differences within rate territories are now handled. Departures from uniform ratings should not be allowed too freely, but should be permitted when adequate reasons for them exist. Such a policy, together with the use of commodity rates for special situations, would permit whatever degree of flexibility is necessary to meet different conditions in the different parts of the country.

In recent years, motor-carrier competition has made weight density and other factors affecting the relative cost of transporting different commodities of more importance, and differences in the value of commodities and other value-of-service considerations of less importance, in the making of rates on particular commodities.⁹ The development of motortruck transportation has created a situation in which it is no longer possible to charge extremely high rates on valuable articles without causing much of the traffic to be diverted to private or contract carriers by motor vehicle. Motor-vehicle transportation has to some extent destroyed the basis on which much of the traditional classification of freight rested. This situation suggests the need for a modernization of freight classifications with more consideration given to the relative costs of transporting different kinds of freight. The establishment of a uniform classification might be incidental to such a revision of the classifications.

4. ALTERNATIVE PLANS FOR OBTAINING GREATER UNIFORMITY IN CLASS-RATE LEVELS

The extent to which uniform scales of class rates throughout the country would be practicable depends largely upon the extent of regional differences in transportation costs, and possibly upon regional differences in the composition of traffic. It has been pointed out in earlier chapters that the present differences in class-rate levels are greater than can be justified by differences in transportation costs, nor do they seem to be justified by differences in the composition of traffic.

⁹ For recognition of this condition by the Interstate Commerce Commission, see *Trunk-Line Territory Motor Carrier Rates*, 24 M. C. C. 501, 514 (1940).

Three distinct plans could be adopted to advance greater uniformity in the class-rate levels. These are:

(1) adoption of a single scale of first-class rates for application throughout the country,¹⁰

(2) recognition of rate territories, and the prescription of class-rate scales which reflect differences in average transportation costs and the revenue needs of the carriers in such territories, and

(3) adoption of a basic scale of class rates for application throughout the United States, with such exceptions as may be necessary to meet the needs of particular railroads, or of particular subareas within the present rate territories, where unfavorable transportation conditions and the revenue needs of the carriers require a higher level.

A brief discussion of each plan follows.

Uniform scale of class rates.

The adoption of a single scale of class rates would eliminate at a stroke the interterritorial rate problem, so far as class rates are concerned, since the uniform scale would apply between, as well as within, the present rate territories. This policy, however, would ignore regional differences in transportation costs, and raises the fundamental question whether such differences in costs should be recognized in the class-rate levels.

In support of the contention that differences in transportation costs might well be ignored in fixing levels of class rates, the following points may be made: First, that the public is interested in the maintenance of an adequate transportation system, including lines in thinly populated areas or in areas having high capital and operating costs, and that shippers, regardless of where they may be located, may properly be asked to help support the entire system. Second, it may be further argued that differences in transportation costs are ignored, so far as individual railroads are concerned, in fixing regional rate levels, and also that variations in cost occur on the lines of a particular railroad which are often ignored in making rates.

There are practical limitations to the recognition of differences in cost on the different parts of a single railway, although it is not uncommon for railroads to maintain higher or lower rates in some areas than in others, or to maintain branch-line differentials on high-cost branch lines. Disregard of differences in individual railroad costs within a region is largely brought about by competition between carriers. Competition does not apply with equal force to bring about the disregard of regional differences in transportation costs. It is interesting to note, however, that if the railroads of the United States were differently grouped, with Eastern systems operating lines in the South, and Southern railroads operating more extensively in Eastern Territory, and with Western railroads penetrating Eastern and Southern Territories more extensively, or Southern and Eastern roads penetrating Western Territory more extensively, it is quite likely that the force of carrier and market competition would have brought about substantial equalization of rate levels. The tendency for the Chicago, Indianapolis & Louisville Railway, which is controlled by the Louis-

¹⁰ Where the terms "uniform scale," "single scale," or "basic scale" are used herein, it should be understood that a scale of first-class rates is meant, with rates on the other classes related thereto on a uniform percentage basis. This, however, would not preclude separate levels and relationships of carload and less-carload rates.

ville & Nashville Railroad and the Southern Railway, and for the Illinois Central Railroad, which operates in both Southern and Official Territories, to make rates on some commodities from the South to Central Territory on the Central Territory level, or close thereto, has been pointed out elsewhere.¹¹ This policy on the part of the two railroads has forced other carriers to acquiesce in such rates to the same area, which is known as "Triangle Territory," or "Controlled Territory."

Since competitive influences have not forced the carriers to disregard regional differences in transportation costs to the same extent that it has forced them to disregard costs within regions it is possible to recognize the regional differences in cost and to see that they are reflected in the rate levels. It is not possible to the same extent to vary rates on individual railroads within regions according to the costs of the individual railroad.

From a purely economic standpoint it is desirable, as a general principle, to recognize regional differences in transportation costs when such differences are substantial. The contrary policy would operate somewhat as a subsidy to shippers in the regions having high-cost transportation at the expense of shippers in low-cost transportation regions. Recognition of differences in regional transportation costs would minimize this burdening of shippers in areas having low transportation costs and favoring of shippers in areas having high transportation costs. Recognition of regional differences in transportation cost would facilitate the location of industries where total production costs, including transportation costs, are lowest. It would discourage the location of industries in areas having high-cost transportation unless other advantages outweighed the higher transportation costs involved and so made location in the area economically sound.

A second reason, however, for recognizing the higher transportation costs in some areas is the necessity of supporting the railroads in those areas. If these railroads are parts of a larger system, operating in more favorable areas also, this problem may not be urgent, but when the railroads in the high-cost region are independent of other roads the problem of supporting them must be met somehow. If the railroads were operated as one big system, whether under private or government ownership, the difficulty of supporting all parts of the railroad system would not be encountered, since revenues as a whole could be adjusted to expenses, even if some portions of the system were operated at a loss. Although it should not be assumed that the fixing of rate levels on a regional basis guarantees the support of all the necessary railroads in a region, since variations in costs and revenue needs within a region will still result in very unequal earnings to the individual railroads, the establishment of a uniform basis throughout the country, disregarding regional differences in cost, would tend to aggravate the so-called weak-and-strong-road problem.

Although the principal objection to the adoption of a single scale of class rates for application throughout the country is that it would disregard differences in transportation costs, it should be recognized that the regional differences in transportation costs are not great, and are less than the differences within regions which are now largely ignored in fixing class-rate levels. It follows that the adoption of a uniform class-rate scale would be by no means a radical step. It would, however, as suggested above, tend to aggravate the so-called weak-and-strong-road problem.

¹¹ See p. 178, *supra*.

Just how great the revenue effects on the carriers of equalization of rate levels would be, would depend to a considerable extent upon how far the policy of equalization was carried. If equalization was confined to traffic moving on classification or exceptions ratings it would, according to a recent estimate, have an effect on only approximately 15 percent of the carload traffic, representing about 22 percent of the revenues from carload freight, except as a reduction of class rates resulted in the cancelation or modification of commodity rates.¹² If the policy of equalization were extended to all traffic, the effect on the revenues of individual carriers would be much greater.

The establishment of a single scale of class rates would be more practicable if adequate methods of dealing with the weak-and-strong-road problem had previously been incorporated into our regulatory system. The consolidation of railroads into fewer systems would make less extreme the individual railroad differences in cost. A more workable recapture clause than the one in effect from 1920 to 1933, or such measures as the pooling of a portion of the receipts of stronger lines for the use of the weaker lines, or more extensive use of section 15 (6) of the Interstate Commerce Act, which authorizes the division of joint rates to some extent on the basis of the revenue needs of the carriers concerned, could be used to relieve the weak-and-strong-road problem and might make more feasible the adoption of a single scale of class rates.

In connection with the proposal to establish a uniform level of class rates mention should be made of the fact that the present class rate structure in Official Territory is designed to move much more traffic than the class-rate structures of the South and West where commodity rates have been more frequently provided for traffic that moves in volume. This difference in the class-rate structures of the various territories has frequently been mentioned by the Interstate Commerce Commission. See *Southern Class Rate Investigation*, 109 I. C. C. 300, 303 (1926); *Eastern Class Rate Investigation*, 164 I. C. C. 314, 391 (1930); *State of Alabama v. New York Central R. R. Co.*, 235 I. C. C. 255, 265-266 (1939). The differences in the functions of class rates in the past in the different territories should not be a bar to the attainment of greater uniformity in class-rate levels. If a uniform scale were adopted approaching Southern or Western levels, it is possible that many commodities now moving on class rates in Official Territory would have to be given commodity rates. On the other hand, if the Official Territory level of class rates were extended to the rest of the country, many commodities in Southern and Western Territories now moving on commodity rates would logically find a place in the class-rate structure. In either case, the changes in rate levels on many commodities would not be nearly as great as might, at first glance, appear to follow from the adoption of a uniform class-rate level.

Recognition of rate territories with rate levels based on regional differences in costs.

Under this plan separate rate territories would be recognized. These could be existing territories, modifications thereof, or entirely different territories than those now recognized. Rate levels would reflect differences in transportation costs or in the revenue needs of

¹² Based on exhibit No. 228, Class Rate, Exceptions, and Commodity Rate Traffic, introduced in I. C. C. Docket 28300.

the carriers in the various territories. In order to place rates on particular articles on a basis which reflected the territorial differences in cost, a uniform classification would have to be adopted and the progression of the first-class scales, and the relationship of rates on the lower classes to first class, would need to be brought into harmony in the different rate territories.

The extent to which different levels would be required in the different territories would depend upon the regional differences in transportation costs and possibly upon differences in the composition of traffic. The extent to which there are regional differences in transportation costs, according to best available estimates, has been pointed out earlier. It will be recalled that the differences between average transportation costs in the South and in Eastern Territory are slight, but that Western Territory costs tend to run somewhat higher.¹³ By themselves, these differences in cost would warrant only small differences in class-rate levels. Some consideration, however, might have to be given to differences in the composition of traffic, since, as has been pointed out previously, the same level of class rates will produce different amounts of revenue on two railroads with identical costs, or in two regions with the same average costs, depending upon the relative amount of high-grade and low-grade traffic, unless the differences in rates on the different commodities and classes of freight should happen to conform strictly to the differences in the cost of transporting them. It was found in chapter X that there did not seem to be any substantial differences in composition of traffic in Eastern District, Southern Region, and Western District when classified into groups according to the United States average revenues per ton-mile, or according to regional average revenues per ton-mile. On the other hand, it might be that, taking class traffic by itself, the proportions moving in the higher and lower classes might differ considerably in the different territories.¹⁴ The extent to which these differences

¹³ See ch. IX, pp. 259-261.

¹⁴ According to the less-carload traffic survey made by the Association of American Railroads covering all less-carload traffic which moved during the week of September 8 to 14, 1939, the proportions of total intraterritorial less-carload traffic moving on class rates were distributed among the various ratings (in percent of first class) as follows:

Ratings	Percent of total pounds		
	Official	Southern	Western
100 or over.....	13.11	4.39	12.58
85 to but not including 100.....	14.37	15.90	14.40
70 to but not including 85.....	24.81	15.23	25.86
65 to but not including 70.....	15.79	13.54	35.68
50 to but not including 65.....	9.88	5.85	5.95
40 to but not including 50.....	21.47	22.58	2.23
37.5 to but not including 40.....	00.03	1.02	0.01
35 to but not including 37.5.....	00.30	13.65	1.22
32.5 to but not including 35.....	00.03	0.05	0.06
27.5 to but not including 32.5.....	00.05	2.21	1.70
22.5 to but not including 27.5.....	00.17	3.19	0.18
Under 22.5.....	00.01	2.39	0.12
Total.....	100.00	100.00	99.99

It can be demonstrated mathematically that, with these differences in the distribution of the traffic among the various ratings in the different territories, the level of first-class rates in the South would have to be about 18 percent higher than in the East to produce the same average revenue from less-carload traffic for a given haul, and in the West the level of first-class rates could be about 4 percent lower than the Eastern to produce the same average revenue for a given haul. (Based on adaptation of formula of Dr. Edwards in Statement of Ford K. Edwards in reply to the criticisms of exhibits introduced by him, p. 118). It should be remembered, however, that if the levels of first-class rates had not been so much higher in the South than in the East, the ratings, in the South on many articles would have been higher.

might require or make expedient differences in the levels of class rates in the different territories is uncertain. The door should not be closed to such considerations in determining a proper level of first-class rates. There is danger, however, in adjusting class-rate levels up or down because of a difference in the proportions of the high-rated and low-rated class traffic in different territories. One danger arises from the fact that articles moving on low class rates in one territory may move on commodity rates in another, thus distorting any comparison based on class traffic alone. Another difficulty with varying the level of first-class rates because of differences in the proportion of low-grade traffic arises from the fact that it may start a chain of rate readjustments. The larger the proportion of the traffic in the lower classes, the higher must be the level of first-class rates to yield a certain average revenue, but the higher the level of first-class rates, the lower must be the ratings on certain articles in order that they may move.

The proposal to recognize existing class-rate territories, but to bring about as great a degree of uniformity in the class-rate levels as would be consistent with transportation costs and the revenue needs of the carriers, would result in bringing the levels of class rates much nearer together than they are at present. This would certainly be the case if the differences in levels reflected only differences in cost. Rate levels so determined, however, might possibly be modified by consideration of differences in the composition of traffic as a whole, or of differences in the class-rate traffic. To the extent that different levels of class rates were maintained in the different territories, even though those differences were small, there would be an interterritorial rate problem; that is, the problem of constructing rates from one territory to another. The normal and proper basis for constructing such rates would be on a blended basis.

Basic scale of class rates with special treatment of high-cost areas.

The third method of bringing about such approach to uniformity in class-rate levels as may be practicable would be through the adoption of a basic scale for application throughout the country generally, but with appropriate exceptions where higher transportation costs or the revenue needs of the carriers required it. Higher rates, where necessary, could be authorized for individual railroads or for particular areas.

There is precedent for special consideration of special areas in the present regional rate structures. In Eastern Territory, New England has a higher basis of class rates than Eastern Territory generally. In fact, New England is subdivided into zone A and zone B, and has two levels of class rates, both higher than the basic Eastern scale.¹⁵ Zone C in Michigan likewise has a level of class rates which is higher than the basic Eastern scale.¹⁶ In Southern Territory, the peninsula of Florida has been given a higher level of rates.¹⁷ Western Trunk-Line Territory has four levels of class rates.¹⁸ In addition to the special treatment of subareas, it is a common practice to authorize the use of arbitraries on various weak or short railroads, and in some instances on branch lines. Without attempting to pass judgment on whether the treatment of these particular

¹⁵ See ch. II, pp. 8-9.

¹⁶ See ch. II, p. 8.

¹⁷ See ch. II, p. 11.

¹⁸ See ch. II, pp. 12-13.

areas is, or is not, justified, it can be seen from the examples that there is ample precedent for departing from a basic scale, where circumstances have seemed to require it.

The principal argument, on economic grounds, for having a basic scale of class rates, applicable over as much of the country as possible, with special treatment of the particularly high-cost areas, is that it would represent a closer approach to cost-of-service principles than either the prescription of a single scale for nation-wide application, or the prescription of rates on a regional basis. It has been shown that there are differences in transportation costs in different areas. On the other hand, regional average costs have little meaning unless there is some homogeneity in transportation conditions in an area. The present rate territories are large; the transportation costs of individual railroads within the regions vary widely, with no marked concentration about the regional average; and operating and traffic conditions within each territory are widely divergent. Under the circumstances there is no great merit in attempting to adjust class-rate levels to differences in territorial average costs. The controversy over whether the Pocahontas lines should be considered by themselves, or in Southern Territory, where they have been placed by the Interstate Commerce Commission for statistical purposes, or in Official Territory, where they are for rate-making purposes, illustrates the artificiality of the regional averages. Transportation costs on the Pocahontas lines are very low. The inclusion of these lines in the Eastern District lowers Eastern Territory costs. Their inclusion in Southern Territory reduces the Southern average costs. The question might well be asked why other railroads in Eastern Territory or in Southern Territory should have their rates affected by whether the Pocahontas lines are placed in Eastern Territory, Southern Territory, or considered by themselves. In the same way it might be asked whether the rate level in the South should be made higher or lower, depending on whether Kentucky is excluded or included in Southern Territory. The merit of the third method of adjusting class-rate levels is that it attempts to make rate levels uniform where costs are substantially the same, but recognizes higher transportation costs where they actually exist, instead of adjusting rates to average costs over wide areas having unlike transportation conditions.

There are certain difficulties with attempting to have a basic scale, with exceptions where higher operating costs or the revenue needs of the carriers require it. Competition between railroads has been an important factor in bringing about equality of rate levels within regions and would limit the possibilities of special provision for particular railways or particular areas within the present rate territories. Attempts to maintain a higher basis of rates in sub-areas of existing rate territories would also be strongly resisted by shippers. On many commodities, furthermore, the force of market competition would prevent the application of higher scales or arbitraries in the high-cost areas, or on particular railroads. Although it would be sensible for the railroads to forego collection of arbitraries on traffic that would not, because of market competition or for some other reason, stand the higher rates, the resulting situation would be one in which the attempts to meet the financial necessities of high-cost roads by special rate levels had proved impracticable.

CONCLUSION

The foregoing discussion of methods of bringing about uniformity in class-rate levels, or such approach to uniformity as is feasible, is for the purpose of making clear the possible ways of dealing with the problem, and also for the purpose of indicating the nature of the difficulties that would be encountered. If Congress is of the opinion that it is desirable, in the public interest, to establish a uniform freight classification, and to make levels of class rates on as nearly a uniform basis as is consistent with transportation costs and the revenue needs of the carriers, it would be appropriate for it so to declare.¹⁹ The extent to which uniformity in freight classification and uniformity in the class-rate scales in the various territories can be brought about, however, and the methods which may best be employed to accomplish that end, are questions which can best be left with the Interstate Commerce Commission as the body on which is placed the responsibility for determining whether rates subject to its jurisdiction are just, reasonable, and otherwise lawful under the provisions of the Interstate Commerce Act. It might be pointed out in passing that if present class-rate levels and relationships meet the test of reasonableness under the present Act and are in all respects lawful, it does not follow that all other levels or relationships would be unlawful. It would be easier for the Commission to bring about a revision of the rate structure if it had a mandate from Congress to bring about uniformity to the extent that it is practicable.

It is important; however, that any adjustments in rates be brought about through the established agencies of control. Direct legislative prescription of rates is fraught with many difficulties and should be avoided. It is entirely fitting, however, and consistent with traditional methods of regulation, that Congress declare what policies it wishes to be observed in the regulation of carriers.

Aside from the general provisions of the act that rates must be just and reasonable, and not unduly preferential or prejudicial, there is nothing in the Interstate Commerce Act that expresses definitely any congressional policy regarding regional differences in rate levels and the structure of interterritorial rates. It is true that section 3 (1) of the Interstate Commerce Act was amended in 1940 to include any region, district, or territory within the scope of the prohibition against undue preference and prejudice. This amendment recognizes that regional differences in rate levels may possibly be discriminatory, but it is doubtful whether it changes the substance of the law.

Mention should be made also of section 5 (b) of the Transportation Act of 1940. This section provides that:

The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided*, That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers may specifically request be included in such investigation.

¹⁹ See footnote 20, p. 333, for further comment of the director of the study as to appropriate legislative action.

This provision of the act clearly authorizes and directs an investigation of interterritorial and intraterritorial rates, but does not set up any new standards of lawfulness, nor declare any policy with respect to the structure of such rates.

Because of the absence of any declaration of policy relating to interterritorial rates in the present act, it would be appropriate for the Congress to declare by joint resolution or by amendment to the Interstate Commerce Act, that it is in the interest of a proper development of all parts of the country in accordance with their natural advantages, and without such artificial handicaps or preferences as result from unjustifiable rate differences, that a uniform classification of freight be established for Nation-wide application, but with appropriate provision for exceptions where differences are clearly justified, and that levels of class rates be made as nearly uniform throughout the United States as is consistent with differences in transportation costs and the revenue needs of the carriers, and to direct the Interstate Commerce Commission to take such steps as may be found necessary or appropriate to effectuate this policy.²⁰ Such a declaration of policy and directive to the Commission would recognize the traditional functions of the Congress and of the Interstate Commerce Commission, respectively, in the regulation of transportation agencies.

In connection with the establishment of a uniform freight classification and such uniformity in class-rate scales as is consistent with transportation costs and the revenue needs of the carriers, an effort should be made to bring as many of the present classification exceptions ratings into the classification proper as is possible. It has been previously indicated that more traffic moves on exceptions ratings than on the regular classification ratings.²¹ This fact indicates that to a considerable extent the present freight classifications are obsolete. There is a tendency in some quarters to regard the classification ratings and resulting rates on particular articles as a ceiling of rates, and to accept the fact that if there is any substantial movement of an article it will be given an exceptions rating more appropriate than the regular classification rating. The freight classification should provide ratings that are appropriate for the movement of traffic generally.

D. COMMODITY-RATE LEVELS AND RELATIONSHIPS

It has been suggested that a uniform classification of freight be adopted, and that class-rate scales should be made as nearly uniform throughout the United States as is consistent with transportation costs and the revenue needs of the carriers. The question arises as to whether commodity rates also should be made more nearly uniform.

Commodity-rate structures, as noted elsewhere, are constructed on varying bases. Some are tied to the class rates; others are built on distance scales unrelated to class rates; and some are characterized by extensive grouping of origins, or destinations, or both. Differential

²⁰ The report submitted to the Board by the director of the study contained language at this point to express the view that the appropriate steps to be taken by the Commission, and the procedure to be adopted by it in carrying out the directive of Congress should be determined by the Commission, and that Congress should not attempt to deal with such matters by legislation. It is the director's opinion that legislation should be avoided which would place restrictions or limitations on the Commission in determining, on its merits, the extent to which uniformity is practicable and consistent with other provisions of the act, or in determining the rate readjustments most appropriate to bring about greater uniformity; nor should legislation be enacted which might prevent the ready adjustment of rates to changed conditions.

²¹ See p. 48, *supra*.

relationships and other competitive adjustments frequently characterize commodity-rate structures.

It should be recognized that many commodities moving on commodity rates are low-grade commodities and move relatively short distances. There is no necessity for national, or even regional, uniformity on commodities, the movement of which is highly localized. Rates on such commodities may be made with a closer adjustment to local transportation costs than is practicable with class rates. More recognition can be given also to special conditions of demand which may justify higher rates or require lower rates than apply in other areas. An example of a situation of this sort is provided in *Hay Rates within Western District*, 195-I. C. C. 461, 476-477 (1933), where the Commission refused to prescribe a uniform basis of rates on hay in Western District because the movement was localized, and the rates had been adjusted to varying local conditions.

On other commodities which move on commodity rates, however, regional or even Nation-wide uniformity in rate levels may be desirable. In *Livestock—Western District Rates*, 176 I. C. C. 1, 11 (1931), the Interstate Commerce Commission said: "Greater occasion for uniformity in rates and regulations exists in case of a commodity which * * * is shipped in considerable volume from every part of a vast territory, than in the case of commodities the movement of which is largely localized," and in *State of Alabama v. New York Central R. R. Co.*, 235 I. C. C. 255, 319 (1939), the Commission said: "The desirability of rate structures providing reasonably uniform levels of rates from adjacent producing sections of the country to common markets is not open to serious question." The extent to which uniformity may properly be attained, however, should rest primarily on the extent to which transportation costs, and other conditions which may properly affect rate levels, are uniform, although some leeway may be desirable to permit the carriers to meet competitive situations, if such adjustments are held within reasonable limits. On such commodities uniformity in rate levels to the extent that it is justified by transportation costs is as important as in the case of class rates.

The movement of many commodities which are commonly charged commodity rates is from a limited number of origins to a limited number of destinations. The rates on such commodities can be adjusted to the cost of specific movements without reference to differences in regional average costs. On such commodities also, specific differential relationships which have resulted from competitive forces are common. Although it is doubtful whether the Commission should be governed by such competitive conditions in the prescription of maximum reasonable rates, it may not be contrary to the public interest to permit voluntary competitive adjustments, as has been done in the past, if they are kept within reasonable bounds.

The extent, then, to which uniformity in commodity-rate levels is desirable depends upon the conditions and circumstances surrounding the production, marketing, and movement of the commodity in question. Since such conditions vary greatly with different commodities, and since a rate adjustment suitable for one commodity may not be suitable for another, it is particularly fitting that the structures be dealt with individually, and that administrative discretion be allowed the Commission in handling such adjustments rather than that there be an attempt to force commodity rates into a single

pattern, or to require uniformity in levels, where either cost-of-service or what-the-traffic-will-bear considerations may justify differences in levels.

It should be noted that many of the existing commodity-rate structures in the United States that have been prescribed by the Commission have been the result of comprehensive proceedings involving such rates over wide areas. Some of these cases resulted from the Hoch-Smith resolution of 1925, which required a thorough investigation of rate structures. Although the Commission found that these investigations developed unwieldy records because of the wide scope of the investigations and so discontinued further investigations of this nature, it is difficult to see how consistent commodity-rate structures can be brought about without occasional investigations of very broad scope. The experience of the Commission with the Hoch-Smith cases, however, should make it clear that any attempt to revise the commodity-rate structure as a result of investigations that are not limited to specific commodities or groups of commodities would be too unwieldy for effective action. Section 5 (b) of the Transportation Act of 1940, previously described, might well become the basis for instituting a series of investigations of intraterritorial and interterritorial rates on specific commodities now moving to a large extent on commodity rates.

The foregoing conclusions relate to the rates on commodities which move almost entirely on commodity rates, and which are characterized by systematic commodity-rate structures. Mention should be made, however, of point-to-point commodity rates which are not a part of a consistent rate structure, but which are designed to take care of some special situation. Commodity rates of this kind are the means by which the rigidity of the class-rate structure, or of some commodity-rate structures, is modified for particular movements. There is a place for commodity rates of this nature in the rate structure, but care should be observed to prevent them from destroying the advantages gained from greater consistency and approach to uniformity in class rates, or from a systematic commodity-rate structure.

E. CONCLUSIONS

The salient conclusions reached as a result of the analysis in this chapter may now be summarized as follows:

First, the interterritorial freight-rate problem cannot be dealt with satisfactorily by piecemeal adjustments of rates on particular articles, either as a result of negotiations between shippers and carriers, or as a result of individual cases of limited scope brought before the Interstate Commerce Commission. There is need for a reexamination of the structure of interterritorial rates in proceedings which are broad enough to get at the underlying source of the difficulties, namely, the differences in the intraterritorial rate levels.

Second, the destination-level basis of constructing interterritorial rates is not sound as a general principle of rate making, and does not provide a solution of the interterritorial freight-rate problem. Although there are special conditions under which the use of the destination-level basis of constructing rates from a higher-rated to a lower-rated territory may not be objectionable, this method of constructing rates disregards differences in transportation cost and for this reason it frequently gives an unwarranted preference to shippers in a higher-

rated territory when they are shipping to points in a lower-rated territory, and imposes an unwarranted rate burden on shippers in a lower-rated territory when they ship to points in a higher-rated territory. The destination-level theory of rate making represents an effort to solve the interterritorial freight-rate problem without facing the problem of intraterritorial levels which are the cause of the difficulty.

Third, both the adoption of a uniform freight classification and the establishment of uniform scales of class rates would be necessary if complete uniformity in the levels of class rates were to be attained. The establishment of a uniform classification of freight alone, or the establishment of uniform scales of class rates without uniformity in classification, would increase the territorial differences in the rate levels on many articles.

Fourth, in the interest of promoting the development of all parts of the country in accordance with their natural advantages, and without such artificial handicaps or preferences as result from unjustifiable rate differences it is desirable that a uniform classification of freight be established for Nation-wide application, but with appropriate provision for exceptions where differences are clearly justified, and that levels of class rates be made as nearly uniform throughout the United States as is consistent with differences in transportation costs and the revenue needs of the carriers.

Fifth, if the Congress is of the opinion that it is desirable, in the public interest, to bring about a uniform classification of freight, and to establish class-rate scales on as nearly a uniform basis throughout the country as is consistent with transportation costs and the revenue needs of the carriers, it would be appropriate for it so to declare and to direct the Commission to take such steps as may be found necessary, or appropriate to carry out that policy.²²

Sixth, the extent to which class-rate levels and structures in the various rate territories can be brought together and the methods which may best be employed to accomplish that end, are questions which can best be left to the Interstate Commerce Commission as the body on which is placed the responsibility for determining whether rates subject to its jurisdiction are just, reasonable, and otherwise lawful under the provisions of the Interstate Commerce Act.

Seventh, commodity rates on commodities the movement of which is largely local can be adjusted to local conditions of cost and value of service, and Nation-wide or regional uniformity is not required, but on other commodities, particularly those shipped from a large number of points or over wide areas, uniformity is desirable to the extent that it is consistent with differences in transportation costs and the revenue needs of the carriers. Commodity-rate structures, therefore, should be dealt with individually as a result of comprehensive investigations by the Interstate Commerce Commission on a commodity basis.

²² See p. 333, footnote 20.

RECOMMENDATIONS OF THE BOARD

The report suggests three plans for bringing about such uniformity in class-rate levels as may be justified. The Board recommends that part I of the Interstate Commerce Act be amended by adding—

(1) A declaration that it is in the interest of a proper development of the country as a whole that there should be established a uniform classification of freight and a uniform scale of class rates, for application in interstate commerce throughout the United States, except where departures from uniformity may be clearly shown to be required;

(2) A direction to the Interstate Commerce Commission to administer and enforce the provisions of the Interstate Commerce Act with a view to carrying out the declaration referred to above;

(3) Appropriate provisions authorizing and directing the Interstate Commerce Commission—

(a) To prepare and make public, by such procedures as it deems advisable, within 9 months from the effective date of this amendment, a proposed uniform classification of freight and a proposed uniform scale of class rates, to apply locally and jointly for transportation by railroad of carload and less-carload traffic throughout the United States;

(b) To enter upon hearings, within 3 months thereafter, concerning the lawfulness of such proposed classification and rates, and any other proposed uniform classification and uniform class rates that the carriers or other interested parties may reasonably submit for consideration, together with any exceptions or modifications that may be proposed;

(c) To issue, after full hearings, an order or orders, to become effective not later than 2 years from the commencement of the hearings requiring the establishment of such uniform classification and uniform scale of class rates as it may find to be just, reasonable, and lawful, and in conformity with the act as thus amended, with only such exceptions as in particular instances may be shown to be necessary to correct inequitable conditions, or provide adequate transportation service in particular areas, or adequate revenues for particular railroads.

Respectfully submitted.

ROBERT E. WEBB.
C. E. CHILDE.

WASHINGTON, D. C., *September 24, 1943.*

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SEPARATE STATEMENT OF NELSON LEE SMITH

When the Board filed its summary report on this subject, March 30, 1943, the majority made a recommendation of legislative action in which I did not then join and with which I do not now concur. At that time I expressed agreement with much of the underlying staff analysis but was unable to accept the conclusions as then stated for purposes of the summary report. With the filing of the Board's complete report, it is possible to indicate more specifically the differences between my conclusions and those of the majority and to develop more fully the reasons why I do not agree with the recommendation made by the Board.

FUNCTION OF RESEARCH

Interterritorial freight rates have become a controversial public question which is national in scope. Many of the issues, however, are such as to naturally encourage cleavages along sectional lines; many of the pertinent facts are of a technical nature, and therefore are not easy to determine and appraise.

In a situation of this character economic research can perform a useful function. The facts and issues can be set forth objectively. They can be interpreted from the broad viewpoint of the national welfare, rather than in accordance with the advancement of particular interests. Sound objectives of public policy can be developed in proper perspective. The merits of proposed solutions can be weighed, not as means of furthering predetermined purposes, but in relation to the long-run economic interests of the Nation as a whole.

To deal adequately and realistically with such a complex public question requires consideration of additional factors. Decision concerning the extent to which the ideal is in fact attainable, appraisal of the economic implications of immediate dislocations and attendant readjustments, conclusions about the speed with which any transition should be attempted, and choice among available methods of changing existing conditions to conform more closely to the pattern desired—all are essential steps calling for broad judgments. The weight to be given data which may be somewhat inconclusive or conflicting at points of major consequence should be taken into account. The administrative feasibility of any action contemplated, along with its probable consequences, both good and bad, should likewise receive consideration. To examine thoroughly all of these consequences is, it seems to me, an unavoidable responsibility of any agency advocating a course of action based upon the results of its research.

The Board's studies of transportation problems, to be fully useful, must include all these considerations, although it is important that they not be confused. Therefore, in what follows I shall deal first with the economic analysis and interpretation of facts in the report and later with the legislative recommendation made by the Board. Since, as indicated in the preface, this recommendation goes beyond

the conclusions arrived at by the staff, and since changes which have been made in the report as submitted by the staff may alter the interpretation and emphasis in some important respects, I shall discuss the report and its conclusions at somewhat greater length than might otherwise be necessary.

DISCUSSION OF REPORT

As I have stated previously, the Board's report should, in my opinion, help to clarify certain questions of fact and economic analysis which are fundamental to an understanding of the problem of interterritorial freight rates. This should be true particularly of the chapters dealing with existing rate structures and with their economic effects.

ECONOMIC EFFECTS OF FREIGHT RATES

It is shown in the report that the railroad rate structures of the country have evolved from the character of transportation development and conditions in the various areas. Regional differences in freight rates are viewed on the whole as the result, and not the cause, of differences in the stage and character of the economic development of the different rate territories. The position is taken that freight rates should not be used as a device to promote any particular pattern of industrial development, but that, as a matter of economic principle, they should be adjusted as closely as possible to transportation costs.

The question whether changes in the levels of freight rates would have any effect upon economic activity and development is, of course, not the real issue. It is obvious that, in a very general sense, any environmental change will influence economic activity to some extent; the important question is, to what extent. The report points out that in particular instances freight rates may be a major, or even a controlling, consideration in industrial location, but that in many types of enterprise freight rates are relatively unimportant among the numerous factors affecting location. To appraise more exactly the influence of freight rates would require examination of all the interrelated cost and market elements involved in a large number of representative situations.

The report adopts the view that the equalization of freight-rate levels, particularly those applying to manufactured articles, would create somewhat more favorable conditions for some types of industrial development in the South and West. The staff report expressed the judgment that such equalization would probably affect the locational pattern of the manufacturing industries of the country to only a limited extent. In view of the many other elements involved and their frequently much greater relative importance, it appears that sweeping contentions regarding freight-rate handicaps to regional economic development have often been exaggerated. I find in the report no reason for believing that differences in rate levels and the structure of interterritorial freight rates have materially affected the economic development of the various sections of the country.

These generalizations regarding the significance of freight rates in influencing economic development should not be interpreted as reasons for perpetuating any freight rates which may in fact be unjustified. To show that the results of a particular act are relatively unimportant

is not to condone action which is wrong in principle. But they are conclusions which should be helpful to dispassionate consideration of the interterritorial freight-rate question from a national viewpoint in appraising proposed solutions, and in selecting appropriate means of dealing with the problem.

RELATIVE IMPORTANCE OF VARIOUS RATES

Shippers are interested in the relative levels of the charges which they and their competitors must pay for the transportation of articles between given points, rather than in the technical form of such rates or their relationships to general averages of published rates.

Unfortunately data concerning the relative importance of these various types of rates in the actual movement of the commerce of the country are meager. The best estimates now available, however, indicate that about one-fourth of the total carload traffic moves interterritorially while the remaining three-fourths is intraterritorial; that about 85 percent of the total carload traffic is transported on commodity rates and only about 15 percent on class rates, although on a revenue basis the class-rate traffic accounts for nearly 25 percent of carload freight revenues; and that the proportion of the carload traffic moving on class rates is much higher in Official Territory than within the other rate territories. In the case of less-than-carload traffic, which amounts to less than 2 percent of the total tonnage, only 15 percent is shipped interterritorially, while nearly 80 percent of the total takes class rates and about 20 percent moves under commodity rates.

The adequacy of the samples and methods used in developing these estimates may be open to some question. Nevertheless an approximation of the relative importance of the various types of rates in the movement of the commerce of the United States should be helpful in considering broadly the freight-rate question as a whole.

Such data necessarily relate to traffic movement under rate relationships as they are, rather than as they perhaps ought to be, and therefore do not justify the maintenance of rates which may be economically unwarranted. Where the question is, as here, the effects of freight rates upon economic development, upon the flow of traffic, and upon the utilization of the national transportation system—all from the standpoint of the general public interest—the comparative average levels of freight rates as published are important. And because of the broad competitive aspects of the problem, all rates—intraterritorial and interterritorial, class and commodity rates alike—must be taken into account.

CLASS-RATE LEVELS

Comparison of the levels of intraterritorial class rates is an essential step in the analysis of interterritorial freight rates because interterritorial class rates generally are the product of blending rates applicable within each of the areas through which the traffic moves. The study of intraterritorial class-rate scales and relationships made by the staff shows that comparisons of the first-class scales applying for limited distances in the several territories are inadequate, and that due allowance should be made for territorial differences in classifica-

tion ratings and for the numerous exceptions which apply variously in the several territories. Taking these factors into account, it is concluded that the following relatives express the average levels of class rates within the major rate territories: Official, 100; Southern, 133; Western Trunk-Line, zones I, II, III, and IV, 127, 145, 160, and 183, respectively; and Southwestern, 153.

It is recognized that with respect to particular commodity descriptions there are wide variations of class-rate relationships as among the several territories. Comparison of the levels of published class rates is further complicated by the fact that some articles move partly on class rates and partly on commodity rates in the same territory or move on class rates in one territory and not in another. It has not been feasible to reflect such variations in the indices of average published class-rate levels. It is recognized, also, that these comparisons of the averages of published class rates are not weighted to reflect the relative importance of particular rates in the movement of the traffic of the country or of the regular class rates as compared with the exceptions ratings, under which it is estimated that more than two-thirds of the class-rate traffic moves.

COMMODITY-RATE LEVELS

A number of important commodity-rate adjustments—the preponderance of which have, like the greater part of the class-rate structure, been prescribed or approved by the Interstate Commerce Commission—are analyzed in the report. It is shown that a variety of bases have been used in the construction of these rates. Because of the weight given to such factors as market competition and equalization of competitive opportunity, there is often no discernible rate pattern, and even less frequently is there any consistent relationship to transportation costs.

Generalization regarding the levels of these rates is, therefore, difficult. Many of the intraterritorial commodity rates which were studied are on a somewhat higher level in the South and West than in Official Territory, although the differences are less than those found in the case of class rates. There are, however, important commodity rates which are lower for competitive reasons in the South than in the other territories.

The construction of interterritorial commodity rates sometimes reflects a blending of intraterritorial levels; other methods, however, including the destination-level basis, are used. Competitive factors appear to be given greater weight than in the case of the class-rate structure. Because of the multiplicity of these rates and the variations encountered, it has not been feasible to develop quantitative over-all measures of differences in the average levels of published commodity rates.

FREIGHT-RATE LEVELS

For reasons apparent from the foregoing, it has not been possible for the Board to develop general indices of the relative levels of all published freight rates. In considering possible rate changes, their probable effects upon the movement of traffic and upon the resulting revenues of the carriers should be taken into account. The report therefore refers to average rate levels as indicated by the charges actually collected on the tonnage moving.

Existing statistics are not very satisfactory for this purpose. The index most commonly employed is average revenues per ton-mile which, expressed in mills and averaged over the twelve-year period 1930-1941, compare as follows: Western District, 10.49; Southern Region, 10.25; Eastern District, 10.19; and Pocahontas Region, 6.35. The Pocahontas lines are ordinarily grouped for statistical purposes with the Southern Region roads to form the Southern District, although for rate purposes they are included in Official Territory.

Average revenues per ton-mile are affected by the composition of the traffic and its loading characteristics and by the length of hauls, which vary considerably among the several rate territories. As stated in the report, it is difficult to know how much allowance should be made for these differences. Furthermore, ton-mile revenue averages reflect, not only rate levels within the areas in question, but also the divisions of rates on traffic which moves interterritorially. This is a particularly important limitation of these indices for, without any alteration of the rates published and collected, changes in the division of revenues among carriers participating in interterritorial hauls would modify the territorial average revenues per ton-mile. Therefore, although these figures are interpreted as indicating somewhat higher average rate levels in the West and South than in the East, it is recognized that they do not constitute satisfactory measures of the differences.

Using such data as are available, attempts to measure such differences more accurately have been made, resulting in the following relatives as measures of the average freight rate or revenue levels: Eastern District, 100; Southern District, 105.5; and Western District, 116.6. The methods used in making these estimates are necessarily somewhat rough; for example, existing divisions of carrier revenues are reflected in these indices. Nevertheless, they are the best estimates now available of average freight-rate levels throughout the United States—taking class and commodity rates together—as weighted by the tonnage moving; therefore their broad implications should not be disregarded.

These indices point to the probability that the differences in the average levels of all rates in the several territories are much less than the differences in the average levels of class rates, that higher rate levels on many commodities in the South and West are accompanied by low rates on others, and that the averages are affected to a material extent by the relatively large volume of traffic moving on such favorable rates. The importance of these latter rates—frequently commodity rates—in the traffic and economy of the country is, of course, widely recognized.

These generalizations are not unimportant in an appraisal of several aspects of the freight-rate problem, nor should they be disregarded in any attempt to take into account the probable results of suggested rate changes.

COST LEVELS

The report gives consideration to transportation costs in the several territories as developed by the Interstate Commerce Commission in decided cases and by its staff in various studies which have been made. The greatest emphasis is placed on the so-called Edwards study, prepared for purposes of the Class Rate Investigation now pend-

ing before the Commission. This is the most recent and elaborate of the studies referred to; it attempts to avoid a common weakness of other cost averages by giving weight to the effects of differences in the composition of traffic to the extent that they are reflected in the use of different types of equipment.

Average carload cost indices developed in the Edwards study, based on 1939 expenditures and average loads in the several territories and taking the national average as 100, are stated as follows: East, including New England, 101; Pocahontas, 67; South, 99; and West, 110. From these studies it is concluded that average freight service costs are slightly lower in the South than in the East, somewhat higher in the West than in the East, considerably above the national average in New England, where class and some commodity rates are on a generally higher basis than in Official Territory, and very considerably below the national average in the Pocahontas Region, where Official Territory rates apply generally. The report points out that variations of average costs among individual railroads within regions are greater than variations in regional average costs, although in each region the costs of the major railroads naturally tend to cluster closely around the regional average.

Certain criticisms and limitations of the Edwards study are discussed. Because of variations in traffic and transportation conditions within the rate territories, cost indices depend to some extent upon whether the territorial boundaries are drawn to include or exclude particular areas. Thus, the inclusion of New England raises eastern costs slightly, and to exclude Kentucky from the South would raise the average costs of the South to some extent. The treatment of the low-cost Pocahontas lines is particularly controversial, since their treatment with either the East or the South would materially affect the average cost comparisons. Cost indices have not been computed separately for the different zones of Western Trunk-Line Territory or for the Southwestern or Mountain-Pacific Territories.

COMPARISON OF RATES AND COSTS

The report accepts the Edwards study indices as the best available approximations of average transportation costs, but recognizes that they are subject to further refinement and cannot be taken as precise measures. Because differences in regional average transportation costs as so indicated are relatively small as compared with differences in the indices of regional average levels of published class rates, it is concluded that existing differences in class-rate levels are greater than can be justified by differences in transportation costs. This general conclusion is warranted on the basis of the data available.

Because of the character of the analysis, however, this comparison cannot be accepted as measuring the extent to which such differences in class-rate levels are unjustified and should, therefore, be reduced. Nor can the conclusion properly be limited to class rates, since the cost comparisons are not limited to class-rate traffic.

While it has not been feasible to develop over-all indices of regional average commodity-rate levels, many of the rate adjustments which have been studied also show considerable variations from regional average transportation costs. The differences in average rate levels on traffic actually moved in the different territories, however, corre-

spond closely to the indicated differences in average transportation costs. This may be explained partly by the fact that discrepancies between class-rate levels and relative transportation costs in the different territories are offset by reverse discrepancies in some commodity-rate levels.

Although the commodity-rate differences may be smaller in individual cases, their total effect may be at least as great because of the much larger volume of traffic moving under such rates. Thus a difference of, say, 30 percent in class rates might be offset by a reverse difference of only 5 or 6 percent in average commodity-rate levels. It would seem to follow, therefore, that a reduction or the elimination of class-rate differences would, from an over-all point of view, require only a small increase in average commodity rates in the South and West to compensate for any revenue loss which might be suffered by the carriers on class-rate traffic. This should be pointed out in order to bring the question of class-rate levels into proper relationship with the freight-rate problem as a whole.

TRANSPORTATION BURDEN

Consideration is given in the report to the question of the justification of present differences in freight rates—whatever may be their historical explanation—on the basis of differences in the "distribution of the transportation burden." For this purpose, differences in the composition and density of the traffic are examined on the basis of available data; but since existing traffic and revenue statistics are by no means fully adequate for the purpose, the question is not answered conclusively.

In general it is recognized that a high proportion of low-grade traffic does not necessitate high rates on a small balance of high-grade traffic. Obviously, low-grade tonnage moving in sufficient volume and at low unit cost can be profitable—witness the prosperity of the Pocahontas lines. The position is taken, therefore, that a high proportion of low-grade traffic in a given area does not necessarily require or justify relatively high rates in that area on high-grade tonnage of the nature generally thought of as moving on class rates.

Various statistical approaches to an analysis of the character and density of the traffic moving in the several major rate territories are explored. Carload tonnage statistics classified according to the five major groups of products—Agricultural, Animal, Mineral, Forest, and Manufactures and Miscellaneous—show in general the relative importance of these groups in transportation within the several areas. Mineral products are predominant in the rail traffic of the country as a whole, and especially in the Pocahontas Region, although the relative importance of this movement is less in the Western District than elsewhere. Agricultural and forest products are carried in relatively greater volume in the Western District and Southern Region than in the Eastern District or in the Pocahontas Region. Animals and animal products have a relatively larger movement in the West than elsewhere. The statistics show also that manufactures and miscellaneous traffic, having increased in relative importance in the South and West during the 12-year period studied, now constitutes close to 30 percent of the total tonnage carried in all the areas except the Pocahontas Region, where it accounts for less than 10 percent of the

total. As might be expected, variations in these proportions among individual railroads are greater than those found when roads are grouped for statistical purposes along existing regional lines. All these data, however, even when further refined by adding to the manufactures and miscellaneous group the tonnages of certain other commodities which may be considered as manufactured or processed, are only very rough approximations of the nature of the traffic. The commodity groupings are broad, including both high-grade and low-grade commodities moving on both class and commodity rates.

An attempt has been made to measure differences in the composition of the traffic by comparing the relative movement of commodities grouped according to their average revenue yield per ton-mile. During the 10-year period 1932-41, over 82 percent of the traffic of the Pocahontas Region consisted of commodities which over the country as a whole in 1932 were in groups yielding the lowest average revenues per ton-mile. On the same basis, it is indicated that proportions of traffic yielding high and low revenues per ton-mile did not differ greatly as between the Eastern District and the Southern Region, but that the Western District had a smaller proportion of very low and a greater proportion of very high revenue-yield traffic than was the case elsewhere. When modified by the grouping of commodities according to regional, rather than national, average revenue yields in 1932, and when further modified by using the estimated 1939 regional distribution of traffic revenue-yield groups, this general comparison is not altered substantially.

As is recognized in the report, these comparisons based on average revenue yields, like those based on the classification of tonnages according to the five major types of products, necessarily compare commodity groups which are not homogeneous and which move under both class and commodity rates. Furthermore, they, like the gross statistics of revenues per ton-mile used in comparing rate levels and discussed previously, are affected both by differences in the average lengths of haul within the several rate territories and by existing divisions of revenue among the participating carriers. Therefore only very general conclusions of limited application may properly be drawn from the statistical data now available. Regional differences in the composition of the traffic are viewed in the report as an insufficient justification for differences in the "distribution of the transportation burden" as between class-rate traffic and commodity-rate traffic or as between manufactured articles and other commodities.

TRAFFIC DENSITY

Regional differences in traffic density are discussed in the report with reference to the usual statistical measures, to indicate the relative intensity with which railroad facilities have been utilized over the 12-year period, 1930-41. The Pocahontas lines are treated separately and occupy the most favorable position in every instance. On the basis of revenue ton-miles per mile of road and per mile of track, the lines in the Western District and Southern Region are shown to be in a much less favorable position than those of the Eastern District, although the difference is somewhat less on the second basis than on the first. Differences in revenues per ton-mile among individual railroads within areas in 1939 were greater than differences in

corresponding regional averages. In terms of revenue ton-miles per dollar of investment, the lines in the Southern Region showed somewhat better results, 1936-41, than those of the Eastern District, as did the Western District lines in 1938.

The condition indicated by the comparisons of revenue ton-miles per mile of road and per mile of track, referred to above, is viewed in the report as a possible historical explanation—although not necessarily a current justification—of regional differences in carrier rate policies, perhaps leading to greater emphasis on the practice of charging “what the traffic will bear” in the South and West and thus helping to explain the existence of low rates on low-grade commodities in those areas. It is concluded that, although there are regional differences in the utilization of railroad plant, such differences exist also among individual railroads within regions. Nevertheless, competitive and other factors have led to much greater uniformity of class rates within regions than exists among regions. This is not interpreted, however, as indicating that Nation-wide uniformity of class rates is desirable.

VALUE-OF-SERVICE IN RATE MAKING

The report takes the position that weight should be given to value-of-service factors—to whatever extent they should be considered—in terms of the transportation characteristics of particular commodities. Therefore this element should be reflected through the classification and exceptions, or in commodity rates, rather than in class-rate levels. To what extent, however, value-of-service considerations should be applied in rate making is not so clear.

In the report it is pointed out that value-of-service considerations have too often been relied upon to excuse the use of freight rates as a device for equalizing competitive conditions and opportunities—a policy which the report condemns—and to explain away unwarranted inconsistencies in the rate structure. Value-of-service factors are invoked also to justify departures from the strict application of a cost-of-service principle for other reasons, such as provision of flexibility in the rate structure and the meeting of carrier revenue needs. Not to recognize the impracticability of basing all rates exactly upon allocated costs would be unrealistic, particularly when inadequacies of present methods of cost finding are considered. The report seems to allow greater scope to such factors in the case of commodity rates, primarily on the theory that value-of-service elements can better be determined and reflected in rates on individual commodities than in class rates which are of more general application.

The difficulty, however, lies in restricting the application of value-of-service considerations within limits sufficiently definite to prevent abuse, even when applied to particular commodities rather than to broad classes. Value of service is a much used, but nevertheless vague, term. Such factors do not justify a policy of charging whatever rates may be required to retain competitive traffic, without regard to the limiting effect of known costs. If applied too broadly, value-of-service considerations could defeat completely the objective sought throughout the report—that of reasonable conformity of rates to costs and as great uniformity of rate structures as is practicable. A class-rate structure consistently related to cost would be reduced to

an empty shell if free rein were given to the establishment of commodity rates based on value-of-service considerations.

SUGGESTED SOLUTIONS

Proceeding from the proposition that existing regional differences in class-rate levels are greater than are justified by transportation costs and conditions, the report considers various means of correcting this situation.

Individual rate proceedings in particular cases are rejected as being too limited in scope to deal with the problem in terms of broad principles. The necessary data relating to transportation rates, costs, and conditions generally are not likely to be available under such a piecemeal process. Furthermore, such proceedings may be unduly burdensome to those whose direct interests are relatively small, while the broader aspects of the public interest may not be presented adequately. The destination-level basis of rate making, likewise, is rejected as a general remedy—the cure being regarded as worse than the disease—although it is thought to have a limited role in some special situations because of value-of-service considerations.

Uniformity of classification and of class-rate levels is next considered. Such uniformity is regarded as a means of removing any unjustified rate differences which may exist, of extending relief to small as well as large shippers and communities, of facilitating industrial location free from artificial handicaps, and of tariff simplification. On the other hand, it is recognized that such uniformity would ignore justified, as well as unjustified, differences in rates—thus artificially encouraging an uneconomic pattern of industrial location—would upset competitive adjustments of long standing, and would produce an unduly rigid rate structure. It is pointed out that the same advantages and disadvantages would apply to commodity-rate uniformity.

Reviewing the history of early attempts to secure uniformity of classification, and of successful carrier opposition to these efforts, the report concludes that uniformity of classification, with greater emphasis on commodity characteristics affecting transportation costs, would be desirable and feasible if some flexibility were provided through exceptions and commodity rates. Such exceptions and commodity rates, however, should not be used as a device for unduly weighting value-of-service considerations; nor should they in any event be so used as to still further reduce the movement of traffic under class rates reasonably related to transportation costs.

Assuming the practicability of a uniform classification of freight, to the extent indicated, the report discusses means whereby greater uniformity of class rate levels might be achieved. Three possible methods are examined: the adoption of a completely uniform class-rate scale for application throughout the country; the recognition of separate rate territories, with the prescription in each of rate scales reflecting territorial differences in transportation costs and carrier needs; and the adoption of a basic scale of class rates with only such exceptions as might be required by carrier needs or by particularly unfavorable transportation conditions.

A uniform class-rate scale would eliminate all class-rate differences at a single stroke, but it would also ignore all cost differences—whether

justified or not—and this would not be conducive to the most effective utilization of economic resources. To the extent that the revenue needs of the carriers were not properly taken into account, such a uniform scale would be harmful to them and might accentuate the strong-and-weak road problem. Just what the revenue effects of such a policy of rate making might be cannot be predicted. A larger proportion of the total traffic moves on class rates in Official Territory than elsewhere; if the Official scale were used for national application, the revenue effects on the Southern and Western roads might not be as great as is sometimes supposed, particularly if much of the traffic now moving on commodity rates in those territories were brought under the class-rate structure.

The plan of separate rate territories, each with its own rates based upon transportation costs and carrier needs, might utilize present territorial boundaries or might call for entirely different groupings. There would be a uniform classification, with the progression of first-class rates and the relationships of lower-class scales to first class harmonized, but rate levels would be determined by differences in transportation costs, and perhaps be influenced by differences in the regional composition of the traffic in order to meet carrier revenue needs. It is thought that this might reduce existing regional differences in class-rate levels, although it would still not avoid the necessity of constructing interterritorial class rates as a blend of the applicable intraterritorial rates.

The use of a basic class-rate scale with special treatment of high-cost areas bears some resemblance to the present basis of rate making in certain subareas and zones of the major rate territories and is akin to the arbitraries sometimes permitted on weak and short railroads. Presumably, lower rates might similarly be established in areas of unusually favorable transportation conditions and costs. The advantage seen in this method is its provision for the reflection in rates of cost differences where they actually exist, rather than basing rates on average costs over wide areas throughout which conditions are not similar. On the other hand, it is recognized that it would not be easy to maintain higher-than-average class rates in areas where they might be justified against the intense pressures of carrier and market competition and the vigorous opposition of shippers.

As to commodity rates, it is concluded that the need for uniformity is less clear. These rates are now constructed on a variety of bases. They frequently apply in a limited way and often with differential relationships established to meet competitive situations. In the report a distinction is drawn between commodities moving for comparatively short distances and those moving over longer distances from many different origins to common markets. On the former, uniformity—nationally, or even regionally—is not viewed as a matter of great moment. On the latter, uniformity is deemed desirable if not inconsistent with transportation costs and carrier needs. The report suggests that such commodity-rate structures be dealt with through a series of broad investigations, each covering a single commodity or group of related commodities.

Point-to-point commodity rates, however, which are not part of a consistent commodity-rate structure but represent individual exceptions to either the class-rate basis or an orderly pattern of commodity rates, are viewed as a means of taking care of special situations where

such departures are deemed justified by carrier needs and other considerations, and thus as a means of avoiding undue rigidity in the rate structure. It is indicated that care should be exercised to avoid the loss of advantages gained from greater consistency and uniformity elsewhere and to guard against the further erosion of the class-rate structure through the generalized use of such commodity rates. Here again, as with the earlier discussion of value-of-service in rate making, the difficulty is in defining the limits of such departures from the standard closely enough to prevent undue disregard of costs in rate making.

CONCLUSION

In thus reviewing at some length the analysis contained in the report, it is not my purpose either to emphasize unduly inadequacies of the data or to suggest that the report lacks value. On the contrary, factual material has been gathered and interpreted in a manner which should be helpful to a better public understanding of the issues involved in the interterritorial freight-rate question. The report recognizes the fact that some of the data are not very satisfactory, and consequently certain of its conclusions are stated in carefully qualified language. In condensed statements and summaries of conclusions, however, it is often impossible to retain the full weight of qualifications necessary to a correct interpretation and appraisal of the analysis. Yet it is essential that the significance of such qualifications be understood if the analysis is not to be taken as either more or less than it purports to be. It is important also that any lack or limitations of data be taken into account in forming broad judgments as to courses of action which should be followed.

My conclusions concerning the action which is appropriate and should be recommended differ somewhat from those of the report, and materially from those represented by the legislative recommendation made by the majority of the Board. In my opinion the report does not afford a sufficient basis for the recommendation.

CONCLUSIONS OF THE REPORT

The principal factual conclusion of the report is that existing regional differences in class rates are greater than can be justified. From the studies made of the present rate levels and the data available concerning transportation costs and conditions, this general conclusion is warranted. This, however, does not dispose of the problem.

As indicated in the foregoing review of the report, commodity rates are far more important than class rates in moving the commerce of the country, and intraterritorial tonnage is of much greater volume than is interterritorial traffic. The economic influence attributed to interterritorial freight rates—particularly interterritorial class rates—is sometimes greatly exaggerated. It is the class-rate structure that is the special subject of current public controversy, and it has not been feasible in this study to examine the entire commodity-rate situation in the same detail. It is recognized, however, that any general revision of the class-rate structure would necessarily have impacts upon the commodity-rate situation, which would have to be dealt with in some way. From the broad standpoint of national

interest and policy, sound rate-making principles should apply no less to commodity rates than to class rates. This should be made clear at the outset beyond any possibility of misunderstanding.

Again, as to existing regional differences in class rates, while the report concludes that they are greater than is now justified, it recognizes that the data available concerning average rate levels and average costs do not permit a quantitative determination of the extent to which this is so. The report, as a matter of fact, is careful to avoid any conclusion that absolute uniformity of class rates is a proper solution, nor does it contain any reasonable implication to this effect. It concludes, simply, that uniformity is a desirable objective, generally speaking, and that an effort should be made to secure greater uniformity—to approach this objective as closely as is consistent with differences in transportation costs and the revenue needs of the carriers.

Concerning this broad conclusion there can hardly be difference of opinion. Obvious inconsistencies of freight classification and unexplained differences of rate levels and scales of progression encourage public controversy. Greater uniformity of classification would facilitate direct rate comparisons, without the complication of adjustments for differences of commodity ratings in the several territories, and may be feasible. A closer approach to uniformity of class-rate scales and levels can be effected, although the extent to which this is possible is a question which the report does not answer.

The report, finally, discusses in general terms three methods whereby greater uniformity of class rates might be sought. The staff report recognizes the many and complex factors which should be taken into consideration in any sweeping readjustment of the freight rates of the country or in any radical revision of the form and levels of existing class rates. Therefore, after discussing in general terms three alternative means whereby greater uniformity of class rates might be obtained, the staff report concludes that decision concerning the extent to which uniformity of class rates is justified and the steps whereby such degree of uniformity should be promoted are matters which should be determined by the Interstate Commerce Commission. This properly recognizes the necessary limitations of the study; in my opinion the report affords a basis for no different conclusion or recommendation.

The staff report goes somewhat further, however, in suggesting that, because of the absence of any declaration of policy relating specifically to interterritorial freight rates in the present Interstate Commerce Act, it would be appropriate for the Congress to declare, by joint resolution or by amendment to the act—

that it is in the interest of a proper development of all parts of the country in accordance with their natural advantages, and without such artificial handicaps or preferences as result from unjustifiable rate differences, that a uniform classification of freight be established for Nation-wide application, but with appropriate provisions for exceptions where differences are clearly justified, and that levels of class rates be made as nearly uniform throughout the United States as is consistent with differences in transportation costs and the revenue needs of the carriers, and to direct the Interstate Commerce Commission to take such steps as may be found necessary or appropriate by the Commission to effectuate this policy.

It may be pointed out that the emphasis upon "natural advantages" and "artificial handicaps" seems not wholly consistent with a proper

interpretation of the conclusions of the report regarding the limited economic effects of the rates in question, and might, therefore, be susceptible of misinterpretation. Although this suggestion is open to less objection than the legislative proposal contained in the report and recommendation of the Board, it is one with which I do not agree. Just what its effect would be is uncertain. It might have some influence in the establishment of new standards of lawfulness, although not itself defining them. Its principal effect might be to indicate the interest of Congress in the problem; this seems unnecessary.

The Interstate Commerce Commission evidently interprets section 5 (b) of the Transportation Act of 1940 as a congressional mandate to proceed with its investigation of the class-rate structure, which was initiated some months before the enactment of this legislation. The major issues involved in the question of interterritorial freight rates are now pending before the Commission in that proceeding; the Commission has gone ahead with the case despite petitions from the carriers and others asking that further action be deferred because of the war. It is not indicated that its disposition will be delayed unduly. If, as may be doubted, statutory authority to deal properly with these rates is lacking, any defects of existing law can be pointed out specifically in the disposition of the present class-rate investigation.

Under all these circumstances it would seem to be wiser policy to see just what—if any—authority is lacking, and just how—if at all—a declaration of policy could be most helpful, than to urge upon Congress the enactment of legislation of very doubtful meaning and effect.

RECOMMENDATION OF THE BOARD

The legislative recommendation of the Board, in addition to being subject to the same objection that it is premature, is in many respects not consonant with the substance of the report taken as a whole. Where the report recognizes that some differences in class rates may in fact be justified and accepts uniformity as an objective to be approached as closely as is reasonably practicable, the recommended legislation establishes uniformity of freight classification and class-rate scales as the standard to be applied throughout the United States, except where departures from uniformity may be clearly shown to be required. The Board's recommendation, unlike the qualified conclusion of the report, seems to take it as an established fact that absolute uniformity is warranted as a point of departure in dealing with this problem.

While the report leaves to the Interstate Commerce Commission determination of the extent to which existing regional differences in class rates may in fact be justified, the recommended legislation gives to the Commission the duty of preparing a proposed uniform freight classification and class-rate scale and of determining, thereafter, the extent to which departures or exceptions may be necessary. Where the report provides for the choice by the Commission of methods to be followed in correcting any existing regional differences in classification and class-rate levels which are found to be in fact unwarranted, the recommended legislation selects the approach to be followed, prescribes the procedure, and imposes time limits which might not be sufficient for a task of such magnitude. The report provides for a tentative approach to a problem of great complexity

requiring mature consideration of many factors; the legislative recommendation calls for immediate and sweeping action of an oversimplified character, the practical consequences of which cannot be foreseen.

If this recommendation were to receive the serious consideration of the Congress, numerous matters of greater or lesser consequence could no doubt be clarified before the enactment of legislation. This would presumably be true of such questions of intent as whether the provisions would apply to railroads only and not to other carriers in interstate commerce subject also to part I of the act, whether the rates to be prescribed as a uniform standard would be maximum reasonable rates only or both maximum and minimum rates, and whether the procedure and standards prescribed would supersede those recognized in other sections of the act. Presumably also, in view of what is said in the report regarding the relation of rates to transportation costs and conditions, the reference to a uniform classification and uniform class rates "to apply jointly and locally for transportation by railroad of carload and less-carload traffic throughout the United States" is not intended to require application of the same scale to both carload and less-than-carload traffic, or to require the progression of scales solely and rigidly in accordance with distance. In view of what is said in the report regarding the role of commodity rates in the freight-rate structure of the country, the language just quoted is probably not intended to preclude the future establishment of such rates where circumstances justify them.

The recommendation, however, does not make fully clear what is intended regarding these matters, and other important questions of intent are left unanswered. Is it proposed, for example, to later bring such commodity rates as are now tied more or less directly to the class-rate structure into conformity with the proposed uniform classification and class-rate scale? Is it intended subsequently to broaden the rule of uniformity to the rates of carriers subject to other parts of the act which are competitive with rail carriers and which must be considered in any broad treatment of national transportation policy? What is meant by the "inequitable conditions" which may require departures from uniformity? How may the necessity of departures for this and the other reasons mentioned be demonstrated?

While some of these defects might be corrected without undue difficulty, it would be more difficult to interpret other features of the recommendation. It is not recommended that the proposed uniform classification and class-rate scale be applied with complete uniformity; departures are to be permitted where "shown to be clearly required." The Interstate Commerce Commission, under the procedure proposed, would promulgate such classification and scale and, after consideration of other proposals and proposed exceptions or modifications, order their establishment as just, reasonable, and lawful, "with only such exceptions as in particular instances may be shown to be necessary to correct inequitable conditions, or provide adequate transportation service in particular areas, or adequate revenues for particular railroads."

These standards for departures from the rule of uniformity are by no means clear. The correction of inequitable conditions is so

broad a term that it might mean almost anything. Departures required to "provide adequate transportation service in particular areas" would require further definition if it were to be used as a basis for proof. "Adequate revenues for particular railroads" is somewhat less ambiguous, although individual carriers would encounter difficulties, as in the past, if they attempted to charge more for the same service than did their competitors. Taken together, these standards would require considerable clarification if intended to be used in the practical application of a statute of this character. The necessity of administrative and judicial construction might require time and lead to some confusion and uncertainty.

I do not mean to imply that my objection to the legislative recommendation of the majority is based solely, or even principally, on its present ambiguities. My disagreement runs primarily to what appears to be the basic purpose of the proposal. This, I take it, is the curtailment by statute of the discretionary authority of the administrative agency presently entrusted with the duty of applying to specific situations, with the flexibility necessary in this technical field, the broad outlines of national policy as declared by the Congress. It is my opinion that specific mandates of the sort proposed should not be enacted unless the value of such enactment is clearly apparent, and then only if the objective sought by the statute is well defined and practically attainable. The Board's recommendation as to legislation does not, in my judgment, meet these standards.

While it might be argued that—because of the procedure provided for in the consideration of possible exceptions to the rule of absolute uniformity—the legislation recommended would not absolutely bind the administrative agency, still the enactment of such legislation during the pendency of proceedings involving the same subject matter could scarcely be construed otherwise than as a specific congressional mandate. Although it is for the Congress to determine the extent to which discretionary authority can satisfactorily be left with its administrative agencies, it seems appropriate to call attention to the fact that intervention of the sort suggested could, if generalized, destroy the advantages of the present regulatory process.

In commenting upon the report and expressing objections to the legislative recommendations, I do not intend either to condone existing regional class-rate differences which are unwarranted or to take the position that nothing should be done to correct any rate adjustments which are not justified. This should be done reasonably, expeditiously, and in a proper and orderly manner. No one familiar with the vagaries of rate making and the inconsistencies of the present rate structure can be entirely unsympathetic with the urge for abrupt changes by direct action. As I interpret the report, however, desirable changes in the freight-rate structure should be brought about through the established regulatory process.

It is clear that responsibility, both for the inadequacies of data and for the improvement of the existing rate situation, rests on the carriers and the regulatory agency. That carriers should sometimes resist efforts to secure information essential to determination of fundamental questions in rate making is perhaps explainable in terms of

immediate self-interest in maintaining existing rate relationships and divisions; but unwillingness to cooperate in the disclosure of needed data and reluctance to join in open-minded consideration of new approaches to rate problems promote neither self-interest nor the public interest in the long run. These are matters which it is within the function of the carriers and the regulatory agency to correct.

To emphasize this joint responsibility and opportunity would, in my judgment, be helpful. But to recommend legislative action under these circumstances—without demonstration of immediate need, clarity of objective, or probable result—is neither to advance the proper resolution of a controversial issue nor to contribute effectively to the development of sound national transportation policy.

NELSON LEE SMITH.

SEPTEMBER 24, 1943.

APPENDICES

APPENDIX A

Intraterritorial scales of first-class rates excluding Ex Parte 123 increases

[In cents per hundred pounds]

Miles	East- ern ¹ (ap- pendix E)	South- ern ² (ap- pendix K-2)	Western ³				Moun- tain- Pacific (single- line) ⁴
			Zone I	Zone II	Zone III	Zone IV	
1 to 5.....	30	34	32	34	36	38	
6 to 10.....	31	36	33	36	38	41	25
11 to 15.....	33	39	35	38	41	44	
16 to 20.....	34	41	36	40	43	47	30
21 to 25.....	36	44	38	42	46	50	
26 to 30.....	37	46	40	45	49	53	35
31 to 35.....	39	49	42	47	51	56	
36 to 40.....	40	51	44	50	54	59	40
41 to 45.....	42	54	46	52	56	62	
46 to 50.....	43	56	48	55	59	65	45
51 to 55.....	45	59	50	57	62	68	
56 to 60.....	46	61	52	59	64	71	50
61 to 65.....	48	64	54	62	67	74	
66 to 70.....	49	66	56	64	69	77	55
71 to 75.....	51	68	58	66	72	80	
76 to 80.....	52	70	60	68	74	83	60
81 to 85.....	53	72	62	70	76	86	
86 to 90.....	54	73	64	72	78	89	66
91 to 95.....	55	74	65	74	80	92	
96 to 100.....	56	76	66	75	82	94	70
101 to 110.....	58	79	69	79	85	98	
111 to 120.....	60	82	71	81	88	101	79
121 to 130.....	62	85	74	84	91	105	
131 to 140.....	64	88	76	86	94	108	85
141 to 150.....	66	91	78	89	97	111	
151 to 160.....	67	94	80	91	100	115	90
161 to 170.....	69	96	82	94	103	118	
171 to 180.....	70	98	84	96	106	122	96
181 to 190.....	72	100	86	99	109	125	
191 to 200.....	73	102	88	101	112	128	101
201 to 210.....	75	104	90	103	114	131	
211 to 220.....	76	106	92	105	116	133	107
221 to 230.....	78	108	93	107	118	136	
231 to 240.....	79	110	95	110	121	139	113
241 to 260.....	82	114	99	114	125	144	118
261 to 280.....	84	118	103	119	130	149	124
281 to 300.....	87	122	106	122	134	153	128
301 to 320.....	89	126	110	126	139	159	134
321 to 340.....	92	130	114	130	143	164	140
341 to 360.....	94	134	118	134	148	169	145
361 to 380.....	96	138	121	138	152	174	151
381 to 400.....	99	142	124	142	156	179	155
401 to 420.....	101	145	128	146	161	185	160
421 to 440.....	104	148	132	150	166	190	166
441 to 460.....	106	151	136	154	170	195	171
461 to 480.....	108	154	139	158	174	200	176
481 to 500.....	111	157	142	162	178	205	182
501 to 520.....	113	160	146	166	183	210	186
521 to 540.....	116	163	150	170	187	215	191
541 to 560.....	118	166	153	174	192	220	197
561 to 580.....	120	169	157	178	196	225	203
581 to 600.....	123	172	160	182	200	230	207
601 to 620.....	125	175	164	186	205	235	212
621 to 640.....	128	178	168	190	209	240	217
641 to 660.....	130	181	171	194	213	245	222
661 to 680.....	132	184	175	198	218	250	227
681 to 700.....	135	187	178	202	222	255	231
701 to 720.....	137	190	181	205	226	259	236
721 to 740.....	139	193	183	208	229	263	241
741 to 760.....	141	196	186	211	233	267	246

Footnotes at end of table.

INTERTERRITORIAL FREIGHT RATES

Intraterritorial scales of first-class rates excluding *Ex Parte* 123 increases—Con.

[In cents per hundred pounds]

Miles	East- ern ¹ (ap- pendix E)	South- ern ² (ap- pendix K-2)	Western ³				Moun- tain- Pacific (single- line) ⁴
			Zone I	Zone II	Zone III	Zone IV	
761 to 780.....	143	199	189	214	236	271	251
781 to 800.....	145	202	191	217	239	275	255
801 to 820.....							260
801 to 825.....	148	205	195	221	244	280	
821 to 840.....							265
826 to 850.....	150	208	198	225	248	285	
841 to 860.....							270
851 to 875.....	153	211	202	229	252	290	
861 to 880.....							275
876 to 900.....	155	214	205	233	256	294	
891 to 900.....							279
901 to 920.....							284
901 to 925.....	158	217	208	237	261	299	
921 to 940.....							289
926 to 950.....	160	220	212	241	265	304	
941 to 960.....							294
951 to 975.....	163	223	215	245	269	309	
961 to 980.....							299
976 to 1,000.....	165	226	218	248	273	314	
981 to 1,000.....							303
1,001 to 1,025.....	168	229	222	252	278	319	308
1,026 to 1,050.....	170	232	225	256	282	324	312
1,051 to 1,075.....	173	235	229	260	286	329	316
1,076 to 1,100.....	175	238	232	264	290	333	320
1,101 to 1,125.....	178	241	236	268	295	338	325
1,126 to 1,150.....	180	244	239	272	299	343	329
1,151 to 1,175.....	183	247	242	276	303	348	333
1,176 to 1,200.....	185	250	245	279	307	353	337
1,201 to 1,225.....	188	253	249	283	312	358	342
1,226 to 1,250.....	190	256	252	287	316	363	346
1,251 to 1,275.....	193	259	256	291	320	368	350
1,276 to 1,300.....	195	262	259	295	324	372	354
1,301 to 1,325.....	198	265	263	299	329	377	359
1,326 to 1,350.....	200	268	266	303	333	382	363
1,351 to 1,375.....	203	271	269	307	337	387	367
1,376 to 1,400.....	205	274	272	310	341	392	371
1,401 to 1,425.....	208	277	276	314	346	397	376
1,426 to 1,450.....	210	280	279	318	350	402	380
1,451 to 1,475.....	213	283	282	322	354	407	384
1,476 to 1,500.....	215	286	286	326	358	411	388

¹ Appendix E, I. C. C. Docket No. 15879, *Eastern Class Rate Investigation*, 164 I. C. C. 214, 467 (1930).² Appendix K-2, I. C. C. Docket No. 13494, *Southern Class Rate Investigation*, 113 I. C. C. 200, 207 (1926).³ Appendix U, I. C. C. Docket No. 17006 Part 2, *Western Trunk-Line Class Rates*, 204 I. C. C. 595, 709 (1934).⁴ Appendix B, I. C. C. Docket No. 13535, *Consolidated Southwestern Cases*, 205 I. C. C. 601, 673 (1934).⁵ *Utah Shippers, v. A. T. & S. F. Ry. Co.*, 172 I. C. C. 306, 311 (1931).

APPENDIX B

Intraterritorial scales of first-class rates including *Ex Parte 123* increases

[In cents per hundred pounds]

Miles	Eastern ¹	South- ern ²	Western ³				Moun- tain- Pacific (single- line) ⁴
			Zone I	Zone II	Zone III	Zone IV	
1 to 5.....	33	40	35	37	40	42	
6 to 10.....	34	40	36	40	42	45	28
11 to 15.....	36	42	39	42	45	48	
16 to 20.....	37	44	40	44	47	52	33
21 to 25.....	40	46	42	46	51	55	
26 to 30.....	41	48	44	50	54	58	39
31 to 35.....	43	51	46	52	56	62	
36 to 40.....	44	53	48	55	59	65	44
41 to 45.....	46	55	51	57	62	68	
46 to 50.....	47	57	53	61	65	72	50
51 to 55.....	50	59	55	63	68	75	
56 to 60.....	51	62	57	65	70	78	55
61 to 65.....	53	64	59	68	74	81	
66 to 70.....	54	66	62	70	76	85	61
71 to 75.....	56	68	64	73	79	88	
76 to 80.....	57	70	66	75	81	91	66
81 to 85.....	58	73	68	77	84	95	
86 to 90.....	59	75	70	79	86	98	73
91 to 95.....	61	77	72	81	88	101	
96 to 100.....	62	79	73	83	90	103	77
101 to 110.....	64	83	76	86	94	108	
111 to 120.....	66	86	78	89	97	111	87
121 to 130.....	68	89	81	92	100	116	
131 to 140.....	70	92	84	95	103	119	94
141 to 150.....	73	96	86	98	107	122	
151 to 160.....	74	99	88	100	110	127	99
161 to 170.....	76	102	90	103	113	130	
171 to 180.....	77	106	92	106	117	134	106
181 to 190.....	79	109	95	109	120	138	
191 to 200.....	80	112	97	111	123	141	111
201 to 210.....	83	114	99	113	125	144	
211 to 220.....	84	117	101	116	128	146	118
221 to 230.....	86	119	102	118	130	150	
231 to 240.....	87	121	105	121	133	153	124
241 to 260.....	90	125	109	125	138	158	130
261 to 280.....	92	130	113	131	143	164	136
281 to 300.....	96	134	117	134	147	168	141
301 to 320.....	98	139	121	139	153	175	147
321 to 340.....	101	143	125	143	157	180	154
341 to 360.....	103	147	130	147	163	186	160
361 to 380.....	106	152	133	152	167	191	166
381 to 400.....	109	156	136	156	172	197	171
401 to 420.....	111	160	141	161	177	204	176
421 to 440.....	114	163	145	165	183	209	183
441 to 460.....	117	166	150	169	187	215	188
461 to 480.....	119	169	153	174	191	220	194
481 to 500.....	122	173	156	178	196	226	200
501 to 520.....	124	176	161	183	201	231	205
521 to 540.....	128	179	165	187	206	237	210
541 to 560.....	130	183	168	191	211	242	217
561 to 580.....	132	186	173	196	216	248	223
581 to 600.....	135	189	176	200	220	253	228
601 to 620.....	138	193	180	205	226	259	233
621 to 640.....	141	196	185	209	230	264	239
641 to 660.....	143	199	188	213	234	270	244
661 to 680.....	145	202	193	218	240	275	250
681 to 700.....	149	206	196	222	244	281	254
701 to 720.....	151	209	199	226	249	285	260
721 to 740.....	153	212	201	229	252	289	265
741 to 760.....	155	216	205	232	256	294	271
761 to 780.....	157	219	208	235	260	298	276
781 to 800.....	160	222	210	239	263	303	281
801 to 820.....							286
801 to 825.....	163	226	215	243	268	308	292
821 to 840.....							
826 to 850.....	165	229	218	248	273	314	297
841 to 860.....							
851 to 875.....	168	232	222	252	277	319	303
861 to 880.....							
876 to 900.....	171	235	226	256	282	323	307
881 to 900.....							312
901 to 920.....							

Footnotes at end of table.

INTERTERRITORIAL FREIGHT RATES

Intraterritorial scales of first-class rates including *Ex Parte* 123 increases—Continued

[In cents per hundred pounds]

Miles	Eastern ¹	South- ern ²	Western ³				Moun- tain- Pacific (single- line) ⁴
			Zone I	Zone II	Zone III	Zone IV	
901 to 925.....	174	239	230	261	287	329	
921 to 940.....							318
926 to 950.....	176	242	233	265	292	334	
941 to 960.....							323
951 to 975.....	179	245	237	270	296	340	
961 to 980.....							329
976 to 1,000.....	182	249	240	273	300	345	
981 to 1,000.....							333
1,001 to 1,025.....	185	252	244	277	306	351	339
1,026 to 1,050.....	187	255	248	282	310	356	343
1,051 to 1,071.....	190	259	252	286	315	362	348
1,076 to 1,100.....	193	262	255	290	319	366	352
1,101 to 1,125.....	196	265	260	295	325	372	358
1,126 to 1,150.....	198	268	263	299	329	377	362
1,151 to 1,175.....	201	272	266	304	333	383	366
1,176 to 1,200.....	204	275	270	307	338	388	371
1,201 to 1,225.....	207	278	274	311	343	394	376
1,226 to 1,250.....	209	282	277	316	348	399	381
1,251 to 1,275.....	212	285	282	320	352	405	385
1,276 to 1,300.....	215	288	285	325	356	409	389
1,301 to 1,325.....	218	292	289	329	362	415	395
1,326 to 1,350.....	220	295	293	333	366	420	399
1,351 to 1,375.....	223	298	296	338	371	426	404
1,376 to 1,400.....	226	301	299	341	375	431	408
1,401 to 1,425.....	229	305	304	345	381	437	414
1,426 to 1,450.....	231	308	307	350	385	442	418
1,451 to 1,475.....	234	311	311	354	389	448	422
1,476 to 1,500.....	237	315	315	359	394	452	427

¹ Appendix E, I. C. C. Docket No. 15879, *Eastern Class Rate Investigation*, 164 I. C. C. 314, 467 (1930).² Appendix K-2, I. C. C. Docket No. 13494, *Southern Class Rate Investigation*, 113 I. C. C. 200, 207 (1926), as modified by carriers following decision *In the Matter of Class Rates within the State of North Carolina*, Docket No. 27900, 248 I. C. C. 479 (1942).³ Appendix U, I. C. C. Docket No. 17000, pt. 2, *Western Trunk-Line Class Rates*, 204 I. C. C. 595, 709 (1934) and Appendix B, I. C. C. Docket No. 13535, *Consolidated Southwestern Cases*, 205 I. C. C. 601, 673 (1934).⁴ *Utah Shippers v. A. T. & S. F. Ry. Co.*, 172 I. C. C. 306, 311 (1931).

APPENDIX C

"Appendix Q-1" scales of first-class differentials

[Does not include Ex Parte 123 increases]

	1	2	3	4		1	2	3	4
	Cents	Cents	Cents	Cents		Cents	Cents	Cents	Cents
10 miles and under	10	10	10	10	650 miles and over 625	92	89	86	82
20 miles and over 10	12	12	10	10	675 miles and over 650	95	92	89	85
30 miles and over 20	16	14	12	10	700 miles and over 675	98	95	92	88
40 miles and over 30	19	16	14	10	725 miles and over 700	101	98	95	91
60 miles and over 40	22	19	16	12	750 miles and over 725	103	100	97	93
80 miles and over 60	25	22	19	15	775 miles and over 750	106	103	100	96
100 miles and over 80	27	24	21	17	800 miles and over 775	108	105	102	98
120 miles and over 100	29	26	23	19	825 miles and over 800	111	108	105	101
140 miles and over 120	31	28	25	21	850 miles and over 825	113	110	107	103
160 miles and over 140	34	31	28	24	875 miles and over 850	116	113	110	106
180 miles and over 160	36	33	30	26	900 miles and over 875	118	115	112	108
200 miles and over 180	38	35	32	28	925 miles and over 900	121	118	115	111
220 miles and over 200	41	38	35	31	950 miles and over 925	123	120	117	113
240 miles and over 220	43	40	37	33	975 miles and over 950	126	123	120	116
260 miles and over 240	45	42	39	35	1,000 miles and over 975	128	125	122	118
280 miles and over 260	48	45	42	38	1,025 miles and over 1,000	131	128	125	121
300 miles and over 280	50	47	44	40	1,050 miles and over 1,025	133	130	127	123
325 miles and over 300	53	50	47	43	1,075 miles and over 1,050	136	133	130	126
350 miles and over 325	56	53	50	46	1,100 miles and over 1,075	138	135	132	128
375 miles and over 350	59	56	53	49	1,125 miles and over 1,100	141	138	135	131
400 miles and over 375	62	59	56	52	1,150 miles and over 1,125	143	140	137	133
425 miles and over 400	65	62	59	55	1,175 miles and over 1,150	146	143	140	136
450 miles and over 425	68	65	62	58	1,200 miles and over 1,175	148	145	142	138
475 miles and over 450	71	68	65	61	1,225 miles and over 1,200	151	148	145	141
500 miles and over 475	74	71	68	64	1,250 miles and over 1,225	153	150	147	143
525 miles and over 500	77	74	71	67	1,275 miles and over 1,250	156	153	150	146
550 miles and over 525	80	77	74	70	1,300 miles and over 1,275	158	155	152	148
575 miles and over 550	83	80	77	73	1,325 miles and over 1,300	161	158	155	151
600 miles and over 575	86	83	80	76	1,350 miles and over 1,325	163	160	157	153
625 miles and over 600	89	86	83	79					

EXPLANATORY NOTE

The differentials in column 1 apply to or from points in Southern Territory 30 miles or less from the gateways.

The differentials in column 2 apply on traffic to or from points in Southern Territory more than 30 miles but not more than 100 miles from the gateways.

The differentials in column 3 apply to or from points more than 100 miles but not more than 340 miles from the gateways.

The differentials in column 4 apply to or from points more than 340 miles from the gateways.

APPENDIX D

Scale of southern factors, first-class, for computing interterritorial rates between Official Territory and "border territory" in the South

[Does not include Ex Parte 123 increases]

	Cents		Cents
10 miles and under	36	160 miles and over 150	90
20 miles and over 10	40	170 miles and over 160	93
30 miles and over 20	44	180 miles and over 170	96
40 miles and over 30	48	190 miles and over 180	99
50 miles and over 40	52	200 miles and over 190	102
60 miles and over 50	56	210 miles and over 200	104
70 miles and over 60	60	220 miles and over 210	106
80 miles and over 70	64	230 miles and over 220	108
90 miles and over 80	68	240 miles and over 230	110
100 miles and over 90	72	250 miles and over 240	112
110 miles and over 100	75	160 miles and over 250	114
120 miles and over 110	78	270 miles and over 260	116
130 miles and over 120	81	280 miles and over 270	118
140 miles and over 130	84	290 miles and over 280	120
150 miles and over 140	87	300 miles and over 290	122

APPENDIX E

Scales of first-class differentials applicable for distances in Official Territory used in computing interterritorial rates between Official Territory and "border territory" in the South

[Does not include Ex Parte 123 increases]

	Column A ^a	Column B ^b	Column C ^c	Column D ^d		Column A ^a	Column B ^b	Column C ^c	Column D ^d
	Cents	Cents	Cents	Cents		Cents	Cents	Cents	Cents
10 miles and under	4	3	3	2	350 miles and over 325	57	52	47	44
15 miles and over 10	6	4	4	3	375 miles and over 350	60	55	50	47
20 miles and over 15	7	6	5	4	400 miles and over 375	63	58	53	50
25 miles and over 20	8	7	6	5	425 miles and over 400	66	61	56	53
30 miles and over 25	10	8	7	6	450 miles and over 425	69	64	59	56
35 miles and over 30	11	9	8	7	475 miles and over 450	72	67	62	59
40 miles and over 35	12	10	9	8	500 miles and over 475	75	70	65	62
45 miles and over 40	13	11	10	9	525 miles and over 500	79	73	68	65
50 miles and over 45	14	12	10	9	550 miles and over 525	81	76	71	68
55 miles and over 50	15	13	11	9	575 miles and over 550	84	79	74	71
60 miles and over 55	16	14	12	10	600 miles and over 575	87	82	77	74
65 miles and over 60	17	15	13	11	625 miles and over 600	90	85	80	77
70 miles and over 65	18	16	14	12	650 miles and over 625	93	88	83	80
80 miles and over 70	20	18	16	13	675 miles and over 650	96	91	86	83
90 miles and over 80	22	19	17	14	700 miles and over 675	99	94	89	86
100 miles and over 90	24	21	18	15	725 miles and over 700	102	97	92	89
120 miles and over 100	27	24	20	17	750 miles and over 725	104	99	94	91
140 miles and over 120	30	26	22	19	775 miles and over 750	107	102	97	94
160 miles and over 140	33	29	25	22	800 miles and over 775	109	104	99	96
180 miles and over 160	36	32	27	24	825 miles and over 800	112	107	102	99
200 miles and over 180	39	34	29	26	850 miles and over 825	114	109	104	101
220 miles and over 200	41	36	31	28	875 miles and over 850	117	112	107	104
240 miles and over 220	44	39	34	31	900 miles and over 875	119	114	109	106
260 miles and over 240	46	41	36	33	925 miles and over 900	122	117	112	109
280 miles and over 260	49	44	39	36	950 miles and over 925	124	119	114	111
300 miles and over 280	51	46	41	38	975 miles and over 950	127	122	117	114
325 miles and over 300	54	49	44	41	1,000 miles and over 975	129	124	119	116

^a Applicable when Southern origins or destinations are 30 miles or less from the gateways.

^b Applicable when Southern origins or destinations are more than 30 miles but not more than 60 miles from the gateways.

^c Applicable when Southern origins or destinations are more than 60 miles but not more than 180 miles from the gateways.

^d Applicable when Southern origins or destinations are more than 180 miles from the gateways.

APPENDIX F

Western Trunk-Line "basic scale," of first-class rates and zone differentials

[Does not include Ex Parte 123 increases]

Distance	Basic scale (cents)	Differentials (cents)			
		Zone I	Zone II	Zone III	Zone IV
5 miles and under	30	2	2	2	2
10 miles and over 5	31	2	3	2	3
15 miles and over 10	33	2	3	3	3
20 miles and over 15	34	2	4	3	4
25 miles and over 20	36	2	4	4	4
30 miles and over 25	37	3	5	4	4
35 miles and over 30	39	3	5	4	5
40 miles and over 35	40	4	6	4	5
45 miles and over 40	42	4	6	4	6
50 miles and over 45	43	5	7	4	6
55 miles and over 50	45	5	7	5	6
60 miles and over 55	46	6	7	5	7
65 miles and over 60	48	6	8	5	7
70 miles and over 65	49	7	8	5	8
75 miles and over 70	51	7	8	6	8
80 miles and over 75	52	8	8	6	9
85 miles and over 80	53	9	8	6	10
90 miles and over 85	55	9	8	6	11
95 miles and over 90	56	9	9	6	12
100 miles and over 95	57	9	9	7	12
110 miles and over 100	60	9	9	7	13
120 miles and over 110	62	9	10	7	13

INTERTERRITORIAL FREIGHT RATES

365

Western Trunk-Line "basic scale," of first-class rates and zone differentials—Con.

[Does not include *Ex Parte 123* increases]

Distance	Basic scale (cents)	Differentials (cents)			
		Zone I	Zone II	Zone III	Zone IV
130 miles and over 120.....	64	10	10	7	14
140 miles and over 130.....	66	10	10	8	14
150 miles and over 140.....	68	10	11	8	14
160 miles and over 150.....	70	10	11	9	15
170 miles and over 160.....	72	10	12	9	15
180 miles and over 170.....	74	10	12	10	16
190 miles and over 180.....	76	10	13	10	16
200 miles and over 190.....	78	10	13	11	16
210 miles and over 200.....	80	10	13	11	17
220 miles and over 210.....	81	11	13	11	17
230 miles and over 220.....	82	11	14	11	18
240 miles and over 230.....	83	12	15	11	18
260 miles and over 240.....	87	12	15	11	19
280 miles and over 260.....	90	13	16	11	19
300 miles and over 280.....	93	13	16	12	19
320 miles and over 300.....	97	13	16	13	20
340 miles and over 320.....	100	14	16	13	21
360 miles and over 340.....	103	15	16	14	21
380 miles and over 360.....	106	15	17	14	22
400 miles and over 380.....	109	15	18	14	23
420 miles and over 400.....	113	15	18	15	24
440 miles and over 420.....	116	16	18	16	24
460 miles and over 440.....	119	17	18	16	25
480 miles and over 460.....	122	17	19	16	26
500 miles and over 480.....	125	17	20	16	27
520 miles and over 500.....	128	18	20	17	27
540 miles and over 520.....	131	19	20	17	28
560 miles and over 540.....	134	19	21	18	28
580 miles and over 560.....	137	20	21	18	29
600 miles and over 580.....	140	20	22	18	30
620 miles and over 600.....	143	21	22	19	30
640 miles and over 620.....	146	22	22	19	31
660 miles and over 640.....	149	22	23	19	32
680 miles and over 660.....	152	23	23	20	32
700 miles and over 680.....	155	23	24	20	33
720 miles and over 700.....	158	23	24	21	33
740 miles and over 720.....	160	23	25	21	34
760 miles and over 740.....	163	23	25	22	34
780 miles and over 760.....	165	24	25	22	35
800 miles and over 780.....	167	24	26	22	36
825 miles and over 800.....	170	25	26	23	36
850 miles and over 825.....	173	25	27	23	37
875 miles and over 850.....	176	26	27	23	38
900 miles and over 875.....	179	26	28	23	38
925 miles and over 900.....	182	27	28	24	38
950 miles and over 925.....	185	27	29	24	39
975 miles and over 950.....	188	27	30	24	40
1,000 miles and over 975.....	191	27	30	25	41
1,025 miles and over 1,000.....	194	28	30	26	41
1,050 miles and over 1,025.....	197	28	31	26	42
1,075 miles and over 1,050.....	200	29	31	26	43
1,100 miles and over 1,075.....	203	29	32	26	43
1,125 miles and over 1,100.....	206	30	32	27	43
1,150 miles and over 1,125.....	209	30	33	27	44
1,175 miles and over 1,150.....	212	30	34	27	45
1,200 miles and over 1,175.....	215	30	34	28	46
1,225 miles and over 1,200.....	218	31	34	29	46
1,250 miles and over 1,225.....	221	31	35	29	47
1,275 miles and over 1,250.....	224	32	35	29	48
1,300 miles and over 1,275.....	227	32	36	29	48
1,325 miles and over 1,300.....	230	33	36	30	48
1,350 miles and over 1,325.....	233	33	37	30	49
1,375 miles and over 1,350.....	236	33	38	30	50
1,400 miles and over 1,375.....	239	33	38	31	51
1,425 miles and over 1,400.....	242	34	38	32	51
1,450 miles and over 1,425.....	245	34	39	32	52
1,475 miles and over 1,450.....	248	35	39	32	53
1,500 miles and over 1,475.....	251	35	40	32	53
1,525 miles and over 1,500.....	254	36	40	33	-----
1,550 miles and over 1,525.....	257	36	41	33	-----
1,575 miles and over 1,550.....	260	37	41	33	-----
1,600 miles and over 1,575.....	263	37	41	34	-----
1,625 miles and over 1,600.....	266	38	41	35	-----
1,650 miles and over 1,625.....	269	38	42	35	-----
1,675 miles and over 1,650.....	272	39	42	35	-----

Western Trunk-Line "basic scale," of first-class rates and zone differentials—Con.

[Does not include *Ex Parte* 123 increases]

Distance	Basic scale (cents)	Differentials (cents)			
		Zone I	Zone II	Zone III	Zone IV
1,725 miles and over 1,700	278	40	43	36	
1,750 miles and over 1,725	281	40	44	36	
1,775 miles and over 1,750	284	40	45	36	
1,800 miles and over 1,775	287	40	45	37	
1,825 miles and over 1,800	290	41	45	38	
1,850 miles and over 1,825	293	41	46	38	
1,875 miles and over 1,850	296	42	46	39	
1,900 miles and over 1,875	299	42	47	39	
1,925 miles and over 1,900	302				
1,950 miles and over 1,925	305				
1,975 miles and over 1,950	308				
2,000 miles and over 1,975	311				
2,025 miles and over 2,000	314				
2,050 miles and over 2,025	317				
2,075 miles and over 2,050	320				
2,100 miles and over 2,075	323				
2,125 miles and over 2,100	326				
2,150 miles and over 2,125	329				
2,175 miles and over 2,150	332				
2,200 miles and over 2,175	335				
2,225 miles and over 2,200	338				
2,250 miles and over 2,225	341				
2,275 miles and over 2,250	344				
2,300 miles and over 2,275	347				
2,325 miles and over 2,300	350				
2,350 miles and over 2,325	353				
2,375 miles and over 2,350	356				
2,400 miles and over 2,375	359				

APPENDIX G

"Bridge scale" of first-class arbitraries used in Western Trunk-Line-Official adjustment

[Does not include *Ex Parte* 123 increases]

Distance	Arbitrary	Distance	Arbitrary
20 miles and under	Cents 10	90 miles and over 75	Cents 24
30 miles and over 20	12	110 miles and over 90	29
40 miles and over 30	14	130 miles and over 110	34
50 miles and over 40	16	150 miles and over 130	39
60 miles and over 50	18	170 miles and over 150	44
75 miles and over 60	21		

APPENDIX H

"Bridge scale" of first-class arbitraries used in Southwestern-Official and Southwestern-Southern adjustment

[Does not include *Ex Parte* 123 increases]

Distance	Arbitrary	Distance	Arbitrary
20 miles and under	Cents 11	90 miles and over 75	Cents 31
30 miles and over 20	14	105 miles and over 90	35
40 miles and over 30	17	120 miles and over 105	39
50 miles and over 40	20	135 miles and over 120	43
60 miles and over 50	23	150 miles and over 135	47
75 miles and over 60	27	170 miles and over 150	52

APPENDIX J

STATISTICS SUPPLEMENTING CHAPTER VIII

TABLE I.—Percentage of United States production of sugar beets and beet sugar produced by certain States, 1939¹

State	Percent of U. S. production		State	Percent of U. S. production	
	Sugar beets	Beet sugar		Sugar beets	Beet sugar
Michigan.....	9.6	9.9	Utah.....	6.3	6.1
Ohio.....	3.4	2.6	Idaho.....	9.1	7.7
Colorado.....	14.1	15.9	Montana.....	8.3	8.5
Nebraska.....	7.3	6.4	California.....	25.1	27.6
Wyoming.....	4.9	5.6			

¹ From U. S. Department of Agriculture, Agricultural Statistics, 1941, and 16th Census of the United States, Manufactures, 1939.

TABLE II.—Percentage of United States production of copper ore, and of smelter output of domestic ores, by States, 1939¹

State	Percent of U. S. production of domestic ore	Percent of U. S. smelter output from domestic ore	State	Percent of U. S. production of domestic ore	Percent of U. S. smelter output from domestic ore
Colorado.....	1.81	1.79	Nevada.....	9.20	9.04
New Mexico.....	6.33	5.20	Utah.....	23.60	22.89
Arizona.....	36.02	36.87	California.....	.60	.60
Idaho.....	.40	.32	Washington.....	1.20	1.18

¹ Data from Minerals Yearbook, Review of 1940, pp. 90 and 91.

TABLE III.—Number of establishments, persons employed, and value added by manufacture in the nonalcoholic beverages industry, by States and freight rate territories, 1939¹

	Number of establishments	Manufacturing employees	Percent of United States total	Value added by manufacture	Percent of United States total
United States.....	4,504	54,991	100.00	\$211,843,681	100.00
Official Territory:					
Connecticut.....	82	582	1.06	2,039,838	.96
Maine.....	42	292	.53	772,373	.36
Massachusetts.....	162	1,963	3.57	7,111,389	3.36
New Hampshire.....	24	159	.29	423,169	.20
Rhode Island.....	28	349	.63	926,490	.44
Vermont.....	12	65	.12	178,473	.08
Delaware.....	11	121	.22	439,885	.21
District of Columbia.....	13	436	.79	1,783,182	.84
Illinois.....	259	3,415	6.21	13,207,503	6.23
Indiana.....	115	1,676	3.05	6,659,644	3.14
Maryland.....	57	952	1.73	3,269,931	1.54
Michigan.....	115	1,583	2.88	6,435,494	3.04
New Jersey.....	153	1,853	3.37	6,426,468	3.03
New York.....	329	3,649	6.64	14,544,856	6.87
Ohio.....	193	2,701	4.91	11,336,263	5.35
Pennsylvania.....	314	3,315	6.03	12,237,804	5.78
Virginia.....	106	1,332	2.42	5,560,661	2.62
West Virginia.....	67	676	1.23	2,439,220	1.15
Total Official.....	2,082	25,119	45.68	95,792,643	45.22

Footnote at end of table.

TABLE III.—Number of establishments, persons employed, and value added by manufacture in the nonalcoholic beverages industry, by States and freight rate territories, 1939—Continued

	Number of establishments	Manufacturing employees	Percent of United States total	Value added by manufacture	Percent of United States total
Southern:					
Alabama.....	90	1,277	2.37	\$4,533,671	2.14
Florida.....	122	1,404	2.55	5,149,584	2.43
Georgia.....	138	1,984	3.61	8,487,637	4.01
Kentucky.....	86	1,142	2.08	4,885,902	2.31
Mississippi.....	89	1,031	1.87	4,321,561	2.04
North Carolina.....	154	2,364	4.30	9,838,075	4.65
South Carolina.....	77	998	1.81	4,213,409	2.00
Tennessee.....	98	1,541	2.80	6,271,471	2.96
Total Southern.....	854	11,739	21.35	47,743,440	22.54
Western Trunk-Line:					
Colorado.....	41	386	.70	1,203,953	.57
Iowa.....	89	911	1.66	3,272,113	1.54
Kansas.....	75	543	1.06	1,998,530	.94
Minnesota.....	91	943	1.71	2,827,574	1.33
Missouri.....	138	2,116	3.85	7,813,109	3.55
Nebraska.....	49	400	.73	1,366,118	.64
North Dakota.....	17	143	.30	593,377	.28
South Dakota.....	19	153	.28	491,199	.23
Wyoming.....	12	72	.13	217,234	.10
Wisconsin.....	140	1,092	1.98	4,306,600	2.03
Total Western Trunk-Line.....	672	6,918	12.40	23,789,826	11.23
Southwestern:					
Arkansas.....	73	782	1.42	3,498,468	1.61
New Mexico.....	27	198	.36	697,155	.33
Oklahoma.....	89	938	1.71	3,354,811	1.58
Texas.....	307	4,113	7.48	14,379,043	6.79
Louisiana.....	65	1,548	2.82	6,440,980	3.04
Total Southwestern.....	561	7,579	13.78	28,286,400	13.35
Intermountain:					
Arizona.....	24	232	.42	772,769	.36
Idaho.....	19	116	.21	397,345	.19
Montana.....	29	162	.29	543,107	.26
Nevada.....	8	69	.13	211,191	.10
Utah.....	22	184	.33	583,791	.28
Total Intermountain.....	102	763	1.39	2,508,243	1.18
Pacific:					
California.....	166	2,422	4.40	11,535,671	5.45
Oregon.....	32	251	.46	941,686	.44
Washington.....	35	300	.55	1,246,682	.59
Total Pacific.....	233	2,973	5.40	13,724,039	6.48

¹ Sixteenth Census of the United States 1940, Manufactures 1939, Beverages, table 2, pp. 1, 2, and 3.

TABLE IV.—Number of establishments, persons employed, and value added by manufacture in cotton broad woven goods industry, by States and freight rate territories, 1939¹

	Number of establishments	Manufacturing employees	Percent of United States total	Value added by manufacture	Percent of United States total
United States.....	661	325,372	100.00	\$438,330,852	100.00
Official Territory:					
Connecticut.....	15	4,995	1.54	8,563,809	1.95
Maine.....	9	9,597	2.95	16,111,191	3.68
Massachusetts.....	56	23,783	8.85	36,843,565	8.29
New Hampshire.....	8	6,593	2.03	11,211,934	2.56
Rhode Island.....	16	7,580	2.33	10,227,665	2.33

Footnotes at end of table.

TABLE IV.—Number of establishments, persons employed, and value added by manufacture in cotton broad woven goods industry, by States and freight rate territories, 1939 ¹—Continued

	Number of establishments	Manufacturing employees	Percent of United States total	Value added by manufacture	Percent of United States total
Official Territory—Continued.					
Vermont.....	² (2)				
Delaware.....	² (2)				
Illinois.....	8	439	.13	\$1,186,146	.27
Indiana.....	² (2)				
Maryland.....	6	1,276	.39	1,856,909	.42
Michigan.....					
New Jersey.....	22	1,279	.39	2,814,299	.64
New York.....	13	8,997	1.23	11,243,580	2.57
Ohio.....	² (2)				
Pennsylvania.....	42	3,170	.97	6,349,730	1.45
Virginia.....	10	12,761	3.92	19,575,213	4.47
West Virginia.....					
Total Official.....	205	80,470	24.73	125,483,941	28.63
Southern:					
Alabama.....	50	29,539	9.08	34,807,237	7.94
Florida.....					
Georgia.....	81	50,896	15.64	60,836,114	13.89
Kentucky.....	² (1)				
Mississippi.....	9	2,705	.83	1,795,877	.41
North Carolina.....	128	72,935	22.43	117,829,021	26.88
South Carolina.....	140	72,818	22.39	77,942,553	17.78
Tennessee.....	5	4,423	1.36	4,758,703	1.09
Total Southern.....	413	233,366	71.72	298,019,505	67.99
Western Trunk-Line:					
Colorado.....					
Iowa.....					
Kansas.....					
Minnesota.....					
Missouri.....	² (1)				
Nebraska.....					
North Dakota.....					
South Dakota.....					
Wyoming.....					
Utah.....					
Wisconsin.....	² (1)				
Total Western Trunk-Line.....					
Southwestern:					
Arkansas.....	4	666	.20	723,243	.16
New Mexico.....					
Oklahoma.....	² (1)				
Texas.....	21	6,066	1.86	6,501,005	1.48
Louisiana.....	² (1)				
Total Southwestern.....	25	6,732	2.07	7,224,248	1.65
Intermountain:					
Arizona.....					
Idaho.....					
Montana.....					
Nevada.....					
Utah.....					
Total Intermountain.....					
Pacific:					
California.....	² (4)				
Oregon.....	² (1)				
Washington.....					
Total Pacific.....					
Other States.....	18	4,804	1.48	7,603,158	1.73

¹ Sixteenth Census of the United States, 1940, Manufactures, 1939, Cotton Manufactures, p. 2, table 2.
² Data incomplete for establishments in parentheses, but combined and shown under "Other States."

TABLE V.—Number of establishments, persons employed, and value added by manufacture in cotton narrow fabrics industries, by States and freight rate territories, 1939¹

	Number of establishments	Manufacturing employees	Percent of United States total	Value added by manufacture	Percent of United States total
United States.....	163	13, 194	100. 00	\$25, 566, 259	100. 00
Official Territory:					
Connecticut.....	11	2, 146	14. 12	2, 491, 869	13. 66
Maine.....					
Massachusetts.....	34	2, 048	19. 67	5, 205, 967	20. 34
New Hampshire.....	6	264	1. 74	390, 820	1. 53
Rhode Island.....	38	4, 317	28. 41	6, 243, 019	24. 42
Vermont.....					
Delaware.....					
District of Columbia.....					
Illinois.....	4	401	2. 64	557, 358	2. 18
Indiana.....	² (2)				
Maryland.....	² (1)				
Michigan.....	² (2)				
New Jersey.....	2	201	1. 32	417, 076	1. 63
New York.....	14	780	5. 00	1, 930, 916	7. 61
Ohio.....	3	119	. 74	323, 753	1. 27
Pennsylvania.....	22	2, 458	16. 19	4, 478, 534	17. 52
Virginia.....					
West Virginia.....					
Total Official.....	140	13, 654	89. 86	23, 065, 292	90. 22
Southern:					
Alabama.....					
Florida.....					
Georgia.....	² (2)				
Kentucky.....	² (2)				
Mississippi.....					
North Carolina.....	10	421	2. 77	722, 281	2. 82
South Carolina.....	² (1)				
Tennessee.....					
Total Southern.....	10	421	2. 77	722, 281	2. 82
Western Trunk-Line:					
Colorado.....					
Iowa.....					
Kansas.....					
Minnesota.....					
Missouri.....	² (1)				
Nebraska.....					
North Dakota.....					
South Dakota.....					
Wyoming.....					
Wisconsin.....					
Total Western Trunk-Line.....					
Southwestern:					
Arkansas.....					
New Mexico.....					
Oklahoma.....					
Texas.....					
Louisiana.....					
Total Southwestern.....					
Intermountain:					
Arizona.....					
Idaho.....					
Montana.....					
Nevada.....					
Utah.....					
Total Intermountain.....					
Pacific:					
California.....	² (1)				
Oregon.....	² (1)				
Washington.....					
Total Pacific.....					
Other States.....	13	1, 119	7. 36	1, 773, 686	6. 93

¹ Sixteenth Census of the United States 1940, Manufactures 1939, Cotton Manufactures, p. 3, table 2.

² Data incomplete for establishments in parentheses, but combined and shown under "Other States."

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TABLE VI.—Men's and boys' shirts (except work and polo shirts) produced, by States and freight rate territories, 1939 ¹

	Quantity (dozens)	Percent		Quantity (dozens)	Percent
United States.....	13,362,361	100.00	Western Trunk-Line—Con.		
Official Territory:			Kansas.....		
Connecticut.....	868,373	6.50	Minnesota.....	3,572	0.03
Maine.....			Missouri.....	873,773	6.64
Massachusetts.....	887,033	6.64	Nebraska.....		
New Hampshire.....			North Dakota.....		
Rhode Island.....			South Dakota.....		
Vermont.....			Wyoming.....		
Delaware.....	100,422	0.75	Wisconsin.....		
District of Columbia.....			Total Western Trunk-Line.....	877,345	6.57
Illinois.....	130,779	0.98	Southwestern:		
Indiana.....	194,327	1.45	Arkansas.....		
Maryland.....	829,711	6.21	New Mexico.....		
Michigan.....	5,317	0.04	Oklahoma.....		
New Jersey.....	857,863	6.42	Texas.....	30,536	0.23
New York.....	1,412,610	10.57	Louisiana.....		
Ohio.....	266,666	1.99	Total Southwestern.....	30,536	0.23
Pennsylvania.....	3,777,323	28.27	Intermountain:		
Virginia.....	294,096	2.20	Arizona.....		
West Virginia.....			Idaho.....		
Total Official.....	9,624,520	72.03	Montana.....		
Southern:			Nevada.....		
Alabama.....	370,271	2.77	Utah.....		
Florida.....			Total Intermountain.....		
Georgia.....	393,484	2.94	Pacific:		
Kentucky.....			California.....	109,571	0.81
Mississippi.....	380,851	2.85	Oregon.....		
North Carolina.....	352,310	2.64	Washington.....		
South Carolina.....	298,875	2.24	Total Pacific.....	109,571	0.81
Tennessee.....	423,715	3.17	Other States ²	500,883	3.75
Total Southern.....	2,219,506	16.61			
Western Trunk Line:					
Colorado.....					
Iowa.....					

¹ Sixteenth Census of the United States 1940, Manufactures 1939, Men's and Boys' Furnishings, Work and Sport Garments, table 5, p. 12.

² Data for some establishments combined and shown under "Other States."

INTERTERRITORIAL FREIGHT RATES

TABLE VII.—Men's and boys' furnishings, work and sport garments produced by States and freight rate territories, 1939¹

	Quantity (dozens)	Percent		Quantity (dozens)	Percent
United States.....	6,830,042	100.00	Western Trunk-Line:		
Official Territory:			Colorado.....		
Connecticut.....			Iowa.....	134,312	2.28
Maine.....			Kansas.....		
Massachusetts.....	5,615	.08	Minnesota.....	9,204	.14
New Hampshire.....			Missouri.....	192,492	2.81
Rhode Island.....			Nebraska.....		
Vermont.....			North Dakota.....		
Total New England.....	5,615	.08	South Dakota.....		
Delaware.....			Wyoming.....		
District of Columbia.....			Wisconsin.....		
Illinois.....	28,370	.41	Total Western Trunk-Line.....	356,068	5.20
Indiana.....	733,747	10.74	Southwestern:		
Maryland.....	280,017	4.09	Arkansas.....	108,916	1.59
Michigan.....			New Mexico.....		
New Jersey.....	64,567	.94	Oklahoma.....		
New York.....	141,142	2.06	Texas.....	211,518	3.07
Ohio.....	28,952	.42	Louisiana.....	106,007	1.55
Pennsylvania.....	444,336	6.49	Total Southwestern.....	430,441	6.21
Virginia.....	333,137	4.88	Intermountain:		
West Virginia.....			Arizona.....		
Total Official.....	2,089,883	30.06	Idaho.....		
Southern:			Montana.....		
Alabama.....	278,731	4.07	Nevada.....		
Florida.....			Utah.....		
Georgia.....	104,049	1.52	Total Intermountain.....		
Kentucky.....	274,037	4.00	Pacific:		
Mississippi.....	1,129,617	16.49	California.....	33,265	.48
North Carolina.....	201,224	2.94	Oregon.....		
South Carolina.....			Washington.....		
Tennessee.....	1,890,099	27.59	Total, Pacific.....	33,265	.48
Total Southern.....	3,877,757	56.61	Other States ²	63,628	.93

¹ Sixteenth Census of the United States 1940, Manufactures 1939, Men's and Boys' Furnishings, Work and Sport Garments, table 5, p. 13.

² Data for some establishments combined and shown under "Other States."

TABLE VIII.—Number of establishments, persons employed, and value added by manufacture in women's, children's, and infants' underwear and nightwear of knitted fabrics, and of cotton and flannelette woven fabrics, by States and freight rate territories, 1939¹

	Number of establish- ments	Manufac- turing employees	Percent of United States total	Value added by manu- facture	Percent of United States total
United States.....	313	19,635	100.00	\$24,993,943	100.00
Official Territory:					
Connecticut ²	{ (2) 11 }	1,100	5.60	1,157,155	4.63
Maine.....					
Massachusetts ²	{ (7) 12 }	2,360	12.02	3,052,891	12.21
New Hampshire.....					
Rhode Island.....					
Vermont.....					
Total New England.....	23	3,460	17.62	4,210,046	16.84
Delaware ²	(2)				
District of Columbia.....					
Illinois ²	{ (5) 10 }	874	4.45	1,575,354	6.30
Indiana.....	(2)				
Maryland.....					

Footnotes at end of table.

TABLE VIII.—Number of establishments, persons employed, and value added by manufacture in women's, children's, and infants' underwear and nightwear of knitted fabrics, and of cotton and flannelette woven fabrics, by States and freight rate territories, 1939¹—Continued

	Number of establishments	Manufacturing employees	Percent of United States total	Value added by manufacture	Percent of United States total
Official Territory—Continued.					
Michigan.....	(2)				
New Jersey.....	26	2,237	11.39	\$3,079,827	12.32
New York.....	164	5,342	27.21	6,840,309	27.37
Ohio.....	(4)				
Pennsylvania.....	33	3,989	20.32	4,761,453	19.05
Virginia.....	(3)				
West Virginia.....					
Wisconsin.....					
Total Official.....	256	15,902	80.99	20,466,989	81.89
Southern:					
Alabama.....					
Florida.....					
Georgia.....					
Kentucky.....					
Mississippi.....					
North Carolina ²	(2)	28	.14	22,455	.09
South Carolina ²	(2)				
Tennessee ²	(1)				
Total Southern.....	3	28	.14	22,455	.09
Western Trunk-Line:					
Colorado.....					
Iowa ²	(1)				
Kansas.....					
Minnesota ²	(3)				
Missouri ²	(1)				
Nebraska.....					
North Dakota.....					
South Dakota.....					
Wyoming.....					
Utah.....					
Wisconsin.....					
Total Western Trunk-Line.....					
Southwestern:					
Arkansas.....					
New Mexico.....					
Oklahoma.....					
Texas ²	(5)				
Louisiana ²	(2)				
Total Southwestern.....					
Intermountain:					
Arizona.....					
Idaho.....					
Montana.....					
Nevada.....					
Utah.....					
Total Intermountain.....					
Pacific:					
California ²	(3)	116	.59	138,857	.55
Oregon.....	(6)				
Washington ²	(1)				
Total Pacific.....	6	116	.59	138,857	.55
Other States⁴.....	48	3,589	18.28	4,365,642	17.47

¹ Sixteenth Census of the United States 1940, Manufactures 1939, Women's Accessories Except Millinery, Tables 2 and 3, p. 2.
² Knitted fabrics only.
³ Cotton and flannelette woven fabrics only.
⁴ Data for establishments in parentheses not shown separately, but combined under "Other States."

TABLE IX.—Number of wage earners engaged in manufacturing, value of products, and value added by manufacture, 1919 and 1939, by States and freight-rate territories¹

	Number of wage earners ²			Value of products			Value added by manufacture		
	1919	1939	Percent 1939 is of 1919	1919	1939	Percent 1939 is of 1919	1919	1939	Percent 1939 is of 1919
United States.....	9,090,373	7,886,567	86.70	\$62,418,078,773	\$56,843,024,800	91.07	\$25,041,698,490	\$24,662,918,119	98.57
Official:									
Connecticut.....	292,672	233,525	79.79	1,392,431,620	1,229,583,773	88.30	706,494,421	692,156,692	97.97
Maine.....	88,651	75,656	85.34	456,821,783	345,368,595	75.60	202,253,290	152,423,414	75.36
Massachusetts.....	713,836	460,674	64.53	4,011,181,532	2,459,771,043	61.32	1,750,468,496	1,198,319,408	69.48
New Hampshire.....	83,074	85,781	67.15	407,204,934	237,398,013	58.30	167,677,317	103,167,800	62.73
Rhode Island.....	139,665	106,275	76.09	747,322,858	516,390,541	69.10	231,333,655	238,288,500	71.92
Vermont.....	33,491	21,759	64.97	168,108,072	103,154,301	61.36	72,935,491	51,940,579	71.21
Total New England.....	1,351,389	953,670	70.57	7,183,070,799	4,891,666,268	68.10	3,231,162,640	2,428,246,462	75.15
Delaware.....	29,035	20,392	70.23	163,073,009	114,753,652	69.82	79,640,076	53,183,179	66.29
District of Columbia.....	10,482	7,877	75.15	68,826,570	79,875,299	116.05	37,806,470	44,316,845	116.97
Illinois.....	653,114	596,476	91.33	5,425,244,694	4,794,860,733	88.38	1,936,974,248	2,201,564,196	113.66
Indiana.....	277,580	277,467	99.96	1,898,753,387	2,227,648,011	117.32	723,802,819	970,211,797	134.04
Maryland.....	140,342	141,643	100.93	873,944,774	1,027,354,074	117.55	324,597,395	422,649,359	130.27
Michigan.....	471,242	522,242	110.82	3,466,188,483	4,348,223,244	125.45	1,546,945,240	1,798,004,302	116.26
New Jersey.....	508,686	433,471	85.21	3,672,064,987	3,428,947,188	93.38	1,401,591,708	1,524,113,554	108.74
New York.....	1,228,130	957,854	77.99	8,667,004,906	7,134,400,147	80.46	3,923,790,987	3,341,694,759	85.17
Ohio.....	730,733	598,397	81.89	4,100,308,728	4,864,665,659	99.89	2,188,360,857	2,125,474,003	97.13
Pennsylvania.....	1,135,837	858,296	75.57	7,315,702,867	5,475,925,482	74.85	3,105,294,239	2,480,128,930	80.16
Virginia.....	119,352	133,894	112.18	643,511,621	868,813,246	133.66	371,970,788	379,488,055	102.03
West Virginia.....	83,036	74,969	90.31	471,970,877	441,840,388	93.62	201,031,291	214,774,747	106.84
Total Official.....	6,733,958	4,576,668	82.75	43,151,665,702	39,538,973,391	87.57	18,973,047,748	17,996,765,159	94.85
Southern:									
Alabama.....	107,159	116,800	109.00	492,730,895	574,670,690	116.63	192,066,605	247,383,611	128.80
Florida.....	74,415	52,732	70.86	213,326,811	241,538,534	113.22	120,644,567	119,015,663	97.82
Georgia.....	123,441	157,804	127.84	693,237,096	677,402,657	97.72	252,747,039	283,316,138	112.09
Kentucky.....	69,340	62,794	90.56	345,630,417	481,029,771	121.58	159,944,791	187,000,426	117.17
Mississippi.....	57,560	40,359	69.94	197,746,987	174,937,294	88.47	101,069,116	73,662,419	72.89
North Carolina.....	157,659	270,207	171.39	943,907,949	1,421,329,578	150.60	416,901,768	545,952,290	130.95
South Carolina.....	79,450	126,983	159.83	381,452,964	397,512,863	104.21	153,466,600	169,846,619	110.67
Tennessee.....	93,167	131,874	141.57	556,253,162	728,067,823	130.89	211,486,432	320,341,902	151.47
Total Southern.....	764,191	965,553	126.35	3,874,216,301	4,666,809,212	120.44	1,608,328,938	1,945,719,267	120.96

Western Trunk-Line:									
Colorado.....	35,254	23,719	67.28	275,622,335	221,642,666	80.42	100,752,060	91,256,161	90.57
Iowa.....	80,551	65,314	81.08	745,472,687	718,531,801	96.39	225,231,890	244,795,279	108.69
Kansas.....	61,049	31,614	51.78	913,667,094	464,353,596	50.82	163,579,107	118,952,470	72.72
Minnesota.....	115,623	79,753	68.98	1,218,129,735	845,771,514	69.43	335,039,958	310,628,396	92.71
Missouri.....	195,037	178,538	91.54	1,594,208,338	1,388,056,267	87.07	527,751,174	587,961,729	109.34
Nebraska.....	36,521	19,807	54.26	599,042,498	273,524,541	45.89	115,268,376	69,687,373	59.94
North Dakota.....	4,472	2,637	59.19	57,373,622	43,767,082	76.28	12,884,123	11,102,198	86.17
South Dakota.....	6,382	5,538	86.78	62,170,782	81,171,887	130.56	19,184,912	19,955,057	104.01
Wyoming.....	6,634	3,484	52.52	81,445,394	45,423,103	55.77	39,194,866	15,629,475	39.88
Wisconsin.....	263,949	200,897	76.11	1,846,984,307	1,604,507,356	86.87	719,709,346	686,605,326	95.40
Total Western Trunk-Line.....	805,472	610,301	75.77	7,391,116,802	5,686,749,763	76.94	2,263,595,812	2,155,973,464	95.04
Southwestern:									
Arkansas.....	49,954	36,256	72.58	200,312,858	160,166,984	79.96	97,499,881	67,390,149	69.12
New Mexico.....	5,739	3,250	56.66	17,856,602	25,123,641	140.70	10,129,119	8,711,704	86.01
Oklahoma.....	29,693	28,114	95.29	401,362,869	312,168,499	77.78	88,757,040	103,118,419	116.18
Texas.....	107,522	126,992	118.11	990,995,796	1,530,220,676	153.02	298,824,898	453,105,423	151.63
Louisiana.....	98,265	71,218	72.48	676,189,770	565,265,273	83.60	244,785,963	200,085,837	81.74
Total Southwestern.....	290,980	265,830	91.36	2,293,717,895	2,592,945,073	112.95	739,996,841	832,411,592	112.49
Intermountain:									
Arizona.....	8,528	6,096	71.48	120,769,112	97,529,481	80.70	28,123,675	32,011,290	113.93
Idaho.....	13,917	10,877	78.16	80,510,749	90,475,147	112.38	36,562,244	31,770,204	86.89
Montana.....	17,160	9,171	53.44	166,694,518	151,885,026	91.13	44,512,594	39,790,182	89.39
Nevada.....	3,119	1,093	35.04	22,874,311	20,581,713	89.98	6,383,694	11,727,506	183.71
Utah.....	18,863	11,555	61.24	156,933,071	167,172,226	106.52	46,778,722	43,719,862	93.46
Total Intermountain.....	61,592	38,793	62.96	547,751,761	527,643,593	96.33	162,360,929	159,049,044	97.96
Pacific:									
California.....	243,692	275,477	113.04	1,981,204,701	2,798,179,523	141.24	762,846,183	1,135,157,587	148.90
Oregon.....	58,559	63,622	108.65	366,782,627	365,374,436	99.62	100,576,586	172,174,744	107.22
Washington.....	132,928	90,324	67.95	509,622,984	636,649,509	78.64	366,445,453	286,647,263	78.22
Total Pacific.....	435,179	429,423	98.68	3,157,610,312	3,800,203,768	120.35	1,280,368,222	1,593,979,594	123.62
Total Western.....	1,593,223	1,314,346	84.38	13,392,196,770	12,607,542,197	94.14	4,460,321,804	4,741,413,694	100.30

¹ U. S. Department of Commerce, Census of Manufactures.

² Average for the year.

APPENDIX K

TABLES OF RATES ON FRESH MEATS AND PACKING-HOUSE PRODUCTS

TABLE I.—Carload commodity rates on fresh meats within Official Territory showing relationship to Appendix E first-class rates

[Rates in cents per 100 pounds]

From—	To—	Short-line distance (miles)	Present commodity rate	Appendix E first-class	Percent of appendix E first-class
Baltimore, Md.	Washington, D. C.	50	23.0	47	48.0
Philadelphia, Pa.	Atlantic City, N. J.	73	28.0	59	67.9
Do.	New York, N. Y.	90	18.0	59	30.5
Jersey City, N. J.	Stamford, Conn.	58	40.5	51	79.4
Cleveland, Ohio	Youngstown, Ohio	67	26.0	54	48.1
Indianapolis, Ind.	Brazil, Ind.	57	29.0	51	58.0
Cleveland, Ohio	Frie, Pa.	95	33.0	61	54.1
Baltimore, Md.	Philadelphia, Pa.	108	26.0	64	40.6
Cleveland, Ohio	Toledo, Ohio	107	33.0	64	51.6
Reading, Pa.	Baltimore, Md.	126	35.0	64	51.5
Indianapolis, Ind.	Fort Wayne, Ind.	121	35.0	64	51.5
Reading, Pa.	New York, N. Y.	125	36.0	64	52.9
Louisville, Ky.	Cincinnati, Ohio	125	40.0	64	58.8
Philadelphia, Pa.	Washington, D. C.	139	28.0	70	40.0
Cleveland, Ohio	Columbus, Ohio	138	36.0	70	51.4
Philadelphia, Pa.	Wilkes-Barre, Pa.	149	30.0	73	41.1
Chicago, Ill.	Fort Wayne, Ind.	148	35.0	73	47.9
Reading, Pa.	Washington, D. C.	158	36.0	74	48.6
Milwaukee, Wis.	Walkerton, Ind.	159	40.5	74	54.7
Jersey City, N. J.	Wilkes-Barre, Pa.	153	42.0	74	58.8
Indianapolis, Ind.	Michigan City, Ind.	152	35.0	74	47.3
Jersey City, N. J.	Springfield, Mass.	161	45.5	76	59.9
Cleveland, Ohio	Springfield, Ohio	163	36.0	76	47.4
Jersey City, N. J.	Holyoke, Mass.	169	45.5	76	59.9
Indianapolis, Ind.	Evansville, Ind.	169	33.0	76	43.4
Jersey City, N. J.	Northampton, Mass.	191	50.0	80	62.5
Indianapolis, Ind.	Tiffin, Ohio	198	42.0	80	52.5
Baltimore, Md.	New York, N. Y.	201	42.0	83	50.6
Indianapolis, Ind.	Kalamazoo, Mich.	202	42.0	83	50.6
Baltimore, Md.	Wilkes-Barre, Pa.	212	42.0	84	50.0
Indianapolis, Ind.	Toledo, Ohio	212	42.0	84	50.0
Jersey City, N. J.	Lynn, Mass.	250	54.0	90	60.0
Chicago, Ill.	Dayton, Ohio	250	42.0	90	40.7
Jersey City, N. J.	Fitchburg, Mass.	228	45.5	86	52.9
Fostoria, Ohio	Oil City, Pa.	228	42.5	86	49.4
Baltimore, Md.	Scranton, Pa.	230	42.0	86	48.8
Chicago, Ill.	Toledo, Ohio	230	42.0	86	48.8
Philadelphia, Pa.	Richmond, Va.	253	40.5	90	45.0
Indianapolis, Ind.	Lansing, Mich.	252	42.0	90	46.7
Jersey City, N. J.	Wilmington, Del.	253	54.0	90	60.0
Indianapolis, Ind.	Grand Rapids, Mich.	259	45.5	90	50.6
Baltimore, Md.	Elmira, N. Y.	268	45.5	92	49.5
Milwaukee, Wis.	Muncie, Ind.	263	45.5	92	49.5
Baltimore, Md.	Kingston, N. Y.	279	45.5	92	49.5
Fostoria, Ohio	Buffalo, N. Y.	278	42.5	92	46.5
Philadelphia, Pa.	Worcester, Mass.	292	51.5	96	53.6
Chicago, Ill.	Columbus, Ohio	295	48.0	96	50.0
Baltimore, Md.	Geneva, N. Y.	322	50.5	101	50.0
Indianapolis, Ind.	Bellaire, Ohio	321	51.0	101	50.5
Buffalo, N. Y.	Bennington, Vt.	321	51.5	101	50.5
Indianapolis, Ind.	Wheeling, W. Va.	321	51.5	101	51.0
Philadelphia, Pa.	Boston, Mass.	327	48.0	101	47.5
Chicago, Ill.	Chillicothe, Ohio	326	51.5	101	51.0
Jersey City, N. J.	Plymouth, N. H.	334	54.0	101	53.8
Milwaukee, Wis.	Dayton, Ohio	335	48.0	101	47.5
Baltimore, Md.	Troy, N. Y.	339	51.5	101	51.1
Chicago, Ill.	Akron, Ohio	344	48.0	103	49.6
Jersey City, N. J.	Lincoln, N. H.	355	63.5	103	61.7
Indianapolis, Ind.	Ludington, Mich.	354	60.5	103	58.7
Baltimore, Md.	Rochester, N. Y.	362	50.5	106	47.6
Indianapolis, Ind.	Pittsburgh, Pa.	364	53.0	106	50.0
Jersey City, N. J.	Bridgeport, Conn.	375	40.5	106	38.2
Detroit, Mich.	Syracuse, N. Y.	378	50.5	106	47.6
Baltimore, Md.	Utica, N. Y.	380	50.5	106	47.6
Louisville, Ky.	Alliance, Ohio	383	58.5	109	53.7
Buffalo, N. Y.	Springfield, Mass.	391	51.5	109	47.2
Chicago, Ill.	Ironton, Ohio	309	55.0	109	50.5
Jersey City, N. J.	Beecher Falls, Vt.	405	63.5	111	57.2
Chicago, Ill.	Parkersburg, W. Va.	407	55.0	111	49.5
Jersey City, N. J.	Pittsburgh, Pa.	426	55.0	114	48.2
Louisville, Ky.	Grafton, W. Va.	426	58.0	114	50.9

INTERTERRITORIAL FREIGHT RATES

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TABLE I.—*Carload commodity rates on fresh meats within Official Territory showing relationship to Appendix E first-class rates—Continued*

From—	To—	Short-line distance (miles)	Present commodity rate	Appendix E first-class	Percent of appendix E first-class
Buffalo, N. Y.	Fitchburg, Mass.	425	51.5	114	45.2
Louisville, Ky.	Pittsburgh, Pa.	426	55.0	114	48.2
Baltimore, Md.	Watertown, N. Y.	432	51.5	114	45.2
Milwaukee, Wis.	Zanesville, Ohio	438	59.5	114	52.2
Baltimore, Md.	Boston, Mass.	428	51.5	114	45.2
Detroit, Mich.	Cumberland, Md.	433	60.5	114	44.3
Buffalo, N. Y.	Boston, Mass.	475	51.5	119	43.3
Muncie, Ind.	Rochester, N. Y.	472	62.0	119	52.1
Chicago, Ill.	Pittsburgh, Pa.	454	55.0	117	47.0
Buffalo, N. Y.	Indianapolis, Ind.	463	53.0	119	44.5
Cleveland, Ohio.	Albany, N. Y.	468	53.0	119	48.7
Louisville, Ky.	Oil City, Pa.	481	55.0	122	45.1
Indianapolis, Ind.	Cumberland, Md.	488	63.0	122	51.6
Cleveland, Ohio.	Philadelphia, Pa.	490	58.0	122	47.5
Chicago, Ill.	Gauley, W. Va.	497	62.5	122	51.2
Buffalo, N. Y.	Chicago, Ill.	498	55.0	122	45.1
Chicago, Ill.	Grafton, W. Va.	511	58.0	124	46.8
Milwaukee, Wis.	Pittsburgh, Pa.	518	61.0	124	49.2
Chicago, Ill.	Johnstown, Pa.	532	61.0	128	47.7
Milwaukee, Wis.	Rochester, N. Y.	546	62.5	130	48.1
Frankfort, Ind.	Cumberland, Md.	537	71.0	128	55.5
Pittsburgh, Pa.	Bennington, Vt.	511	51.5	124	41.5
Buffalo, N. Y.	Plymouth, Vt.	520	51.5	124	41.5
Do.	North Stratford, N. H.	535	51.5	128	40.2
Do.	Portland, Maine	547	51.5	130	39.6
Do.	Berlin, N. H.	537	51.5	128	40.2
Indianapolis, Ind.	Utica, N. Y.	563	70.0	132	53.0
Chicago, Ill.	Rochester, N. Y.	567	62.5	132	47.3
Do.	Altoona, Pa.	571	67.0	132	50.8
Indianapolis, Ind.	Hagerstown, Md.	575	74.5	132	56.4
Chicago, Ill.	Cumberland, Md.	596	67.0	135	49.6
Indianapolis, Ind.	Elmira, N. Y.	609	63.0	138	45.7
Do.	Harrisburg, Pa.	611	64.5	138	54.0
Do.	Washington, D. C.	625	74.5	141	52.8
Chicago, Ill.	Elmira, N. Y.	644	67.0	143	46.9
Indianapolis, Ind.	Baltimore, Md.	650	75.5	143	52.1
Chicago, Ill.	Williamsport, Pa.	657	80.0	143	55.9
Peoria, Ill.	Altoona, Pa.	669	75.0	145	51.7
Chicago, Ill.	Hagerstown, Md.	674	80.0	145	55.2
Peoria, Ill.	Rochester, N. Y.	676	70.5	145	48.6
Indianapolis, Ind.	Richmond, Va.	679	74.5	145	51.4
Chicago, Ill.	Harrisburg, Pa.	702	80.0	151	53.0
Indianapolis, Ind.	Wilmington, Del.	710	75.5	151	50.0
St. Louis, Mo.	Cumberland, Md.	729	75.0	153	49.0
Chicago, Ill.	Lancaster, Pa.	738	81.0	153	52.9
Do.	Washington, D. C.	743	80.0	153	51.6
Peoria, Ill.	Williamsport, Pa.	755	88.0	155	56.8
Do.	Elmira, N. Y.	757	75.0	155	49.4
St. Louis, Mo.	Rochester, N. Y.	767	70.5	157	44.9
Chicago, Ill.	Baltimore, Md.	767	80.0	157	51.0
St. Louis, Mo.	Hagerstown, Md.	796	88.0	160	55.0
Peoria, Ill.	Harrisburg, Pa.	800	88.0	160	55.0
Chicago, Ill.	Philadelphia, Pa.	814	81.0	163	49.7
Peoria, Ill.	Washington, D. C.	824	88.0	163	54.0
Do.	Lancaster, Pa.	836	89.0	165	53.9
St. Louis, Mo.	Elmira, N. Y.	850	75.0	165	45.5
Do.	Washington, D. C.	866	88.0	168	52.4
Do.	Lancaster, Pa.	898	89.0	171	52.0
Chicago, Ill.	New York, N. Y.	890	83.0	171	48.5
St. Louis, Mo.	Utica, N. Y.	895	83.0	171	48.5
Peoria, Ill.	Wilmington, Del.	899	89.0	171	52.0
Do.	Philadelphia, Pa.	912	89.0	174	51.1
Chicago, Ill.	Norfolk, Va.	914	80.0	174	46.0
Indianapolis, Ind.	Boston, Mass.	934	74.5	176	42.3
St. Louis, Mo.	Wilmington, Del.	951	89.0	179	49.7
Do.	Philadelphia, Pa.	974	89.0	179	49.7
Peoria, Ill.	Norfolk, Va.	971	88.0	179	49.2
Chicago, Ill.	Boston, Mass.	973	83.0	179	46.4
Peoria, Ill.	New York, N. Y.	988	91.0	182	50.0
St. Louis, Mo.	Albany, N. Y.	990	88.0	182	57.9
Do.	Norfolk, Va.	996	88.0	182	57.9

Average relation to appendix E first-class rates (based on totals of rates shown) 50.1 percent.

TABLE I.—Carload commodity rates on fresh meats with Official Territory showing relationship to Appendix E first-class rates—Continued

TARIFF AUTHORITY		
	Tariff No.	I. C. C. No.
Issuing Carrier:		
The Pennsylvania R. R. Co.....	840-F	2398
	983-F	2414
	1864-F	2585
Reading Co.....	81	2166
	79	2191
The Baltimore & Ohio R. R. Co.....	163-A	23320
	130-B	2604
Issuing Agent: B. T. Jones.....	470-B	2490
	480-A	2779
	218-N	2758

Also Exhibit No. FM-4 I. C. C. Docket No. 28277.

TABLE II.—Carload commodity rates on fresh meats between points in Western Trunk-Line Territory compared with the generally applicable basis within Official Territory

[Rates in cents per 100 pounds]

From—	To—	Short-line distance (miles)	Present commodity rate	Official Territory basis (50 percent of appendix E first-class rate)	Percent commodity rate is of Official Territory basis
Topeka, Kans.....	Atchison, Kans.....	51	22.5	25	90.0
Do.....	Leavenworth, Kans.....	57	21.5	26	82.7
Do.....	Kansas City, Mo.....	65	22.5	24	83.3
Kansas City, Kans.....	Topeka, Kans.....	65	25.0	24	92.6
Topeka, Kans.....	St. Joseph, Mo.....	72	22.5	26	80.3
Sioux Falls, S. Dak.....	Sioux City, Iowa.....	89	27.5	30	91.7
Waterloo, Iowa.....	Prairie du Chien, Wis.....	98	28.5	31	91.9
Ottumwa, Iowa.....	Rock Island, Ill.....	109	22.5	32	70.3
Kansas City, Mo.....	Manhattan, Kans.....	116	25.0	33	75.8
St. Joseph, Mo.....	do.....	123	30.0	34	89.2
Waterloo, Iowa.....	Rock Island, Ill.....	130	28.5	34	85.1
St. Joseph, Mo.....	Beatrice, Nebr.....	131	27.5	35	78.6
Sioux City, Iowa.....	Lincoln, Nebr.....	132	34.5	35	98.6
Waterloo, Iowa.....	Moline, Ill.....	133	29.5	35	81.4
Minneapolis, Minn.....	Cloquet, Minn.....	139	16.0	35	45.7
Do.....	Superior, Wis.....	144	14.0	37	43.2
St. Joseph, Mo.....	Lincoln, Nebr.....	146	27.5	37	74.3
Kansas City, Mo.....	Beatrice, Nebr.....	161	27.5	38	72.4
Ottumwa, Iowa.....	Beardstown, Ill.....	165	22.5	38	59.2
Madison, Nebr.....	Manchester, Iowa.....	175	34.5	39	89.5
Gering, Nebr.....	Cheyenne, Wyo.....	176	28.0	39	71.8
Waterloo, Iowa.....	Galesburg, Ill.....	184	28.5	40	71.3
Huron, S. Dak.....	Sioux City, Iowa.....	187	36.0	40	90.0
Madison, Wis.....	Cedar Rapids, Iowa.....	191	24.5	40	61.3
Lincoln, Nebr.....	Kansas City, Mo.....	192	23.0	40	57.5
Kansas City, Mo.....	Lincoln, Nebr.....	192	27.5	40	68.8
Madison, Wis.....	Waterloo, Iowa.....	195	34.5	40	86.3
Watertown, S. Dak.....	Fargo, N. Dak.....	208	29.0	42	69.0
Do.....	Minneapolis, Minn.....	214	27.0	42	64.3
Ottumwa, Iowa.....	Prairie du Chien, Wis.....	216	26.0	42	61.9
Arkansas City, Kans.....	Kansas City, Mo.....	225	32.0	43	74.4
Madison, S. Dak.....	Austin, Minn.....	228	32.0	43	74.4
Mason City, Iowa.....	Fremont, Nebr.....	229	42.5	43	98.8
Minneapolis, Minn.....	Fargo, N. Dak.....	237	42.0	44	95.5
St. Paul, Minn.....	Sioux Falls, S. Dak.....	239	36.0	44	81.8
Madison, Wis.....	Marshalltown, Iowa.....	242	34.5	45	76.7
Ottumwa, Iowa.....	Lincoln, Nebr.....	256	38.0	45	84.4
Madison, Wis.....	Montezuma, Iowa.....	258	34.5	45	77.5
Mason City, Iowa.....	Lincoln, Nebr.....	261	42.5	46	92.4
South St. Paul, Minn.....	Sioux City, Iowa.....	266	36.0	46	79.3
Sioux City, Iowa.....	Aberdeen, S. Dak.....	266	50.5	46	109.8
Grand Forks, N. Dak.....	Duluth, Minn.....	280	34.0	46	85.0
Mitchell, S. Dak.....	Austin, Minn.....	284	32.0	48	66.7
Huron, S. Dak.....	Minneapolis, Minn.....	284	32.0	48	66.7

TABLE II—Carload commodity rates on fresh meats between points in Western Trunk-Line Territory compared with the generally applicable basis within Official Territory—Continued

[Rates in cents per 100 pounds]

From--	To--	Short-line distance (miles)	Present commodity rate	Official Territory basis (50 percent of appendix E first-class rate)	Percent commodity rate is of Official Territory basis
Grand Forks, N. Dak	Minneapolis, Minn.	308	32.0	49	65.3
South St. Paul, Minn	Moline, Ill	309	31.5	49	64.3
Pittsburg, Kans.	St. Louis, Mo.	319	47.0	49	95.9
Waterloo, Iowa	Alton, Ill	319	34.5	49	70.4
Watertown, S. Dak	Duluth, Minn	320	43.0	49	87.8
Albert Lea, Minn	Quincy, Ill	322	34.5	51	67.6
Do	Fargo, N. Dak	335	44.0	51	86.3
South St. Paul, Minn	Omaha, Nebr	338	40.0	51	78.4
Do	Fremont, Nebr	345	40.0	52	76.9
Madison, Wis	Manning, Iowa	354	40.0	52	76.9
Austin, Minn	Fargo, N. Dak	354	44.0	52	84.6
South Omaha, Nebr	Aberdeen, S. Dak	366	90.0	63	170.0
Sioux City, Iowa	Fargo, N. Dak	379	89.0	53	167.9
Sioux Falls, S. Dak	Grand Forks, N. Dak	384	84.5	55	153.6
Madison, Wis	Hawarden, Iowa	394	41.0	55	74.5
South St. Paul, Minn	Lincoln, Nebr	394	46.0	55	83.6
Omaha, Nebr	Rockford, Ill	413	40.0	56	71.4
Watertown, S. Dak	St. Joseph, Mo.	417	49.0	56	87.5
South St. Paul, Minn	Hannibal, Mo	421	81.6	57	55.3
Sioux City, Iowa	Rapid City, S. Dak	425	52.0	57	91.2
South St. Paul, Minn	Beatrice, Nebr	433	52.0	57	91.2
Madison, Wis	Shenandoah, Iowa	431	40.0	57	70.2
East St. Louis, Ill	Beatrice, Nebr	434	44.0	57	77.2
Madison, S. Dak	Rock Island, Ill	436	48.0	57	84.2
Mitchell, S. Dak	do	444	68.5	59	115.3
East St. Louis, Ill	Lincoln, Nebr	449	38.0	59	64.4
South St. Paul, Minn	Grand Island, Nebr	453	90.0	59	152.5
Kansas City, Mo	St. Paul, Minn	466	42.5	60	70.8
Watertown, S. Dak	Kansas City, Mo	468	49.0	60	81.7
St. Paul, Minn	Independence, Mo.	477	42.5	60	70.8
Omaha, Nebr	Fargo, N. Dak	480	95.0	60	158.3
Duluth, Minn	Fremont, Nebr	485	46.0	61	75.4
Huron, S. Dak	Clinton, Iowa	492	52.0	61	85.2
South St. Paul, Minn	Alton, Ill	499	36.5	61	59.8
Average relation of commodity rates to Official Territory basis, 51 to 500 miles					84.3
Omaha, Nebr	Cheyenne, Wyo	507	96.0	62	154.8
Wichita, Kans	Denver, Colo	511	65.0	62	104.8
Wahpeton, N. Dak	Rock Island, Ill	518	102.0	62	164.5
Omaha, Nebr	Rapid City, S. Dak	523	66.0	64	103.1
St. Paul, Minn	Concordia, Kans	525	90.0	64	140.6
Do	Lexington, Nebr	530	114.0	64	178.1
East St. Louis, Ill	Minneapolis, Minn	530	47.0	64	73.4
Do	Hastings, Nebr	530	81.5	64	127.3
Duluth, Minn	Lincoln, Nebr	541	46.0	65	70.8
East St. Louis, Ill	Grand Island, Nebr	542	81.5	65	125.4
Fargo, N. Dak	Rock Island, Ill	548	104.0	65	160.0
St. Joseph, Mo	Wahpeton, N. Dak	559	89.0	65	136.9
Yankton, S. Dak	St. Louis, Mo.	568	68.5	66	103.8
Atchison, Kans	Wahpeton, N. Dak	580	89.0	66	134.8
Leavenworth, Kans	do	594	89.0	68	130.9
St. Paul, Minn	Norton, Kans	608	117.0	69	169.6
Madison, S. Dak	St. Louis, Mo	610	51.0	69	73.9
Sugar Creek, Mo	Wahpeton, N. Dak	618	89.0	69	129.0
Omaha, Nebr	Casper, Wyo	612	147.0	69	224.6
Atchison, Kans	Fargo, N. Dak	625	98.0	71	138.0
Mitchell, S. Dak	St. Louis, Mo	633	54.0	71	78.1
Leavenworth, Kans	Fargo, N. Dak	640	98.0	71	138.0
Kansas City, Mo	do	656	98.0	72	136.1
Ottumwa, Iowa	Crawford, Nebr	674	142.0	73	194.5

Average relation of commodity rates to Official Territory basis:

500 to 674 miles	Percent
51 to 674 miles	132.7
	99.3

TABLE II.—Carload commodity rates on fresh meats between points in Western Trunk-Line Territory compared with the generally applicable basis within Official Territory—Continued.

TARIFF AUTHORITY

	Tarif No.	Interstate Commerce Commission No.
Issuing Carrier:		
The Atchison, Topeka & Santa Fe Railway Co.....	8804-N 8038-II 8778-N	• 14220 10932 10985
Chicago & North Western Ry. Co. (Charles M. Thomson, trustee).....	11000-G 15000-G 18549-F 18181-F	10838 10886 10958 10580
Chicago, Burlington & Quincy R. R. Co.....	8000-II	19809
Chicago, Milwaukee, St. Paul & Pacific R. R. Co. (Henry A. Scandrett, Walter J. Cummings, and George I. Haight, trustees)	10632-J	F-7260
The Chicago, Rock Island & Pacific Ry. Co. (Frank O. Lowden and Joseph B. Fleming, trustees).....	26000-L 29800-J	C-13039 C-13067
Great Northern R. R. Co.....	600-M 605-L	8016 8051
Union Pacific R. R. Co.....	8000-II 25-D 18-Q	4480 A-8479 A-3362
Issuing Agent: L. E. Kipp.....		
	111-B 208-F 231-A	A-3459 A-3322 A-2503

TABLE III.—Carload commodity rates applicable on packing-house products between points in Western Trunk-Line Territory compared with the basis applicable within Official Territory

[Rates in cents per 100 pounds]

From—	To—	Distance (miles)	Commodity rate except as noted	Official Territory basis (class 37.5-L)	Percent commodity rate in Official Territory basis
Kansas City, Mo.....	Manhattan, Kans.....	116	25.0	23	108.7
St. Joseph, Mo.....	Beatrice, Nebr.....	131	19.8	24	81.3
Beatrice, Nebr.....	St. Joseph, Mo.....	131	23.0	24	95.8
Sioux City, Iowa.....	Lincoln, Nebr.....	132	27.0	24	112.5
Kansas City, Mo.....	Beatrice, Nebr.....	161	19.8	26	75.0
Gering, Nebr.....	Cheyenne, Wyo.....	176	28.0	26	107.7
Lincoln, Nebr.....	Kansas City, Mo.....	192	23.0	27	85.2
Kansas City, Mo.....	Lincoln, Nebr.....	192	22.8	27	83.2
Watertown, S. Dak.....	Minneapolis, Minn.....	214	27.0	29	93.1
Wichita, Kans.....	Beatrice, Nebr.....	220	36.8	29	125.0
Ottumwa, Iowa.....	St. Louis, Mo.....	244	26.0	31	83.0
Do.....	Lincoln, Nebr.....	256	37.0	31	119.4
St. Louis, Mo.....	Independence, Mo.....	266	32.0	32	100.0
Kansas City, Mo.....	St. Louis, Mo.....	273	32.0	32	100.0
Ottumwa, Iowa.....	Crete, Nebr.....	276	44.0	32	137.5
Huron, S. Dak.....	Minneapolis, Minn.....	284	32.0	33	97.0
Watertown, S. Dak.....	Omaha, Nebr.....	292	39.0	33	118.2
Mitchell, S. Dak.....	St. Paul, Minn.....	310	47.0	33	142.4
Wichita, Kans.....	Omaha, Nebr.....	315	36.8	33	110.6
Stillwater, Minn.....	Ishpeming, Mich.....	324	34.8	35	98.6
Lincoln, Nebr.....	Burlington, Iowa.....	329	37.0	35	105.7
St. Paul, Minn.....	Norfolk, Nebr.....	341	48.0	36	137.1
South St. Paul, Minn.....	Fremont, Nebr.....	345	40.0	36	114.3
Ottumwa, Iowa.....	Hastings, Nebr.....	352	51.0	36	145.7
St. Louis, Mo.....	Falls City, Nebr.....	359	32.0	36	91.4
Mitchell, S. Dak.....	Winona, Minn.....	359	48.0	36	127.1
Ottumwa, Iowa.....	Superior, Nebr.....	363	53.0	36	147.2
Burlington, Iowa.....	Exeter, Mo.....	375	57.0	36	158.3
St. Louis, Mo.....	Auburn, Nebr.....	385	32.0	37	86.5
Huron, S. Dak.....	Duluth, Minn.....	360	48.0	37	129.7
South St. Paul, Minn.....	Lincoln, Nebr.....	394	45.0	37	121.6
East St. Louis, Ill.....	Plattsmouth, Nebr.....	406	32.0	38	84.3

INTERTERRITORIAL FREIGHT

TABLE III.—Carload commodity rates applicable to points in Western Trunk-Line Territory compared Official Territory—Continued

[Rates in cents per 100 pounds]

From—	To—	Distance (miles)	Rate	Exception note
Omaha, Nebr.	St. Louis, Mo.	413	32.0	
Burlington, Iowa	Plainview, Nebr.	425	1 59.0	
Beatrice, Nebr.	St. Louis, Mo.	430	41.0	
South St. Paul, Minn.	Beatrice, Nebr.	433	49.0	
Superior, Nebr.	Burlington, Iowa	436	1 57.0	
Mitchell, S. Dak.	Rock Island, Ill.	444	54.0	
Lincoln, Nebr.	St. Louis, Mo.	446	37.0	
East St. Louis, Ill.	Lincoln, Nebr.	449	37.0	
Burlington, Iowa	Kearney, Nebr.	465	1 60.0	
Kansas City, Mo.	St. Paul, Minn.	471	40.5	41
Duluth, Minn.	Fremont, Nebr.	485	45.0	42
St. Louis, Mo.	Columbus, Nebr.	495	56.0	42
St. Paul, Minn.	Kearney, Nebr.	495	1 62.0	42
St. Louis, Mo.	Edgar, Nebr.	501	1 63.0	42
Do	Superior, Nebr.	502	1 63.0	42
Do	Nelson, Nebr.	502	1 64.0	42
Omaha, Nebr.	Cheyenne, Wyo.	507	1 71.0	42
St. Paul, Minn.	St. Louis, Mo.	516	36.5	42
Omaha, Nebr.	Rapid City, S. Dak.	523	57.0	44
St. Paul, Minn.	Concordia, Kans.	525	1 66.0	44
St. Louis, Mo.	Hastings, Nebr.	528	65.0	44
St. Paul, Minn.	Lexington, Nebr.	530	1 67.0	44
St. Louis, Mo.	Norfolk, Nebr.	532	56.0	44
North Platte, Nebr.	St. Paul, Minn.	590	1 72.0	46
St. Paul, Minn.	North Platte, Nebr.	590	1 72.0	46
Duluth, Minn.	Grand Island, Nebr.	594	1 68.0	46
St. Paul, Minn.	Almena, Kans.	597	1 72.0	46
Almena, Kans.	St. Paul, Minn.	597	1 72.0	46
St. Louis, Mo.	Lexington, Nebr.	602	1 73.0	47
St. Paul, Minn.	Norton, Kans.	608	1 72.0	47
Norton, Kans.	St. Paul, Minn.	608	1 72.0	47
Ottumwa, Iowa	Sidney, Nebr.	608	1 78.0	47
Omaha, Nebr.	Casper, Wyo.	613	1 91.0	47
Joplin, Mo.	St. Paul, Minn.	620	1 71.0	47
Do	Minneapolis, Minn.	623	1 71.0	48
Sterling, Colo.	Ottumwa, Iowa	624	1 78.0	48
Mitchell, S. Dak.	St. Louis, Mo.	633	54.0	48
St. Louis, Mo.	Mitchell, S. Dak.	633	57.0	48
Do	North Platte, Nebr.	662	1 79.0	50
Minneapolis, Minn.	Crawford, Nebr.	673	1 81.0	50
Burlington, Iowa	Sidney, Nebr.	682	1 82.0	51
Sidney, Nebr.	Burlington, Iowa	682	1 82.0	51

Average relation of applicable rates to Official Territory basis (percent)..... 131.1

TARIFF AUTHORITY

Same as shown on table II, and the following:

	Tariff No.	Interstate Commerce Commission No.
Issuing Agent L. E. Kipp.....	* 25-D 1-C 230-A 231-A 232-A	A-3479 A-3176 A-2592 A-2593 A-2594

1 Class 36, Exceptions to Western Classification.

RITORIAL FREIGHT RATES

Rates on fresh meats in Mountain-Pacific Territory
generally applicable within Official Territory

in cents per 100 pounds]

To	Short- line distance (miles)	Commod- ity rate	Official Territory basis: (Class 50, appendix E)	Percent commod- ity rate of Official Territory basis	
.....	Hunter, Idaho.....	115	59.0	33	178.8
.....	Silver City, N. Mex.....	134	51.0	35	145.7
.....	Delta, Utah.....	170	64.0	38	173.7
.....	Seattle, Wash.....	182	33.0	40	82.5
.....	Idaho Falls, Idaho.....	185	65.0	40	162.5
.....	Fillmore, Utah.....	202	61.0	42	157.1
.....	Pocatello, Idaho.....	203	93.0	46	202.1
.....	Cedar City, Utah.....	310	66.0	49	134.7
.....	Las Vegas, Nev.....	325	54.0	51	113.7
.....	Santa Fe, N. Mex.....	340	64.0	51	111.5
.....	Boulder City, Nev.....	341	62.0	52	133.3
.....	Butte, Mont.....	354	54.0	52	111.5
.....	Helena, Mont.....	354	54.0	52	111.5
.....	Spokane, Wash.....	354	59.0	52	113.5
.....	Kingman, Ariz.....	367	84.0	53	158.5
.....	Boise, Idaho.....	369	79.0	53	149.1
.....	Roswell, N. Mex.....	374	76.0	53	143.4
.....	Twin Falls, Idaho.....	381	112.0	55	203.6
.....	Las Vegas, N. Mex.....	397	74.0	55	134.5
.....	Phoenix, Ariz.....	425	91.0	57	189.6
.....	do.....	432	67.0	57	117.5
.....	Salt Lake City, Utah.....	433	114.0	57	207.0
.....	Helena, Mont.....	469	125.0	60	208.3
.....	Las Vegas, Nev.....	495	65.0	61	104.2
.....	Portland, Oreg.....	493	60.0	61	94.4
.....	Boise, Idaho.....	496	130.0	61	213.1
.....	Raton, N. Mex.....	498	81.5	61	133.6
.....	Tucson, Ariz.....	502	106.0	62	171.0
.....	Williams, Ariz.....	502	106.0	62	171.0
.....	Prescott, Ariz.....	504	102.0	62	164.5
.....	Nampa, Idaho.....	506	130.0	62	209.7
.....	Ogden, Utah.....	515	70.0	62	112.9
.....	Los Angeles, Calif.....	536	109.0	64	170.3
.....	El Paso, Tex.....	554	107.0	66	162.1
.....	do.....	554	109.0	66	165.2
.....	do.....	564	113.0	66	171.2
.....	Denver, Colo.....	570	84.0	66	127.3
.....	Boise, Idaho.....	574	75.0	66	113.6
.....	do.....	574	75.0	66	113.6
.....	Spokane, Wash.....	621	83.0	71	116.9
.....	do.....	648	70.0	72	97.9
.....	Seattle, Wash.....	656	109.0	72	151.4
.....	San Francisco, Calif.....	717	69.0	76	90.8
.....	Spokane, Wash.....	754	110.0	77	142.9
.....	Portland, Oreg.....	763	109.0	79	134.9
.....	Los Angeles, Calif.....	774	104.0	79	136.7
.....	Salt Lake City, Utah.....	774	104.0	79	136.7
.....	San Francisco, Calif.....	777	109.0	79	136.7
.....	Los Angeles, Calif.....	813	144.0	83	173.5
.....	Portland, Oreg.....	851	108.0	84	128.6
.....	Boise, Idaho.....	880	100.0	86	118.3
.....	San Francisco, Calif.....	898	74.0	86	86.0
.....	Seattle, Wash.....	931	113.0	88	129.4
.....	San Francisco, Calif.....	966	103.0	90	114.4
.....	Los Angeles, Calif.....	1,085	84.0	97	89.6
.....	do.....	1,205	90.0	106	84.9
.....	do.....	1,334	118.0	110	107.3

Average relation of commodity rates to Official Territory basis (percent)..... 137.1