

Decision No. 35271

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of certain railroads (and connecting highway carriers and water lines) for authority to increase their rates, fares and charges (1942).

Application No. 24670

In the Matter of the Application of THE TRUCK OWNERS ASSOCIATION OF CALIFORNIA, a corporation, and PACIFIC MOTOR TRUCKING COMPANY, a corporation for an Order: (1) modifying certain outstanding orders of your Commission establishing minimum rates, rules and regulations for the transportation of various classes of property as herein more particularly described; (2) authorizing highway common carriers and express corporations to increase their local and joint rates and charges as more particularly herein described; and (3) authorizing departures from sections of the Public Utilities Act and of the Constitution, as herein more particularly described.

Application No. 24724

In the Matter of the Establishment of maximum or minimum, or maximum and minimum rates, rules and regulations of all common carriers as defined in the Public Utilities Act of the State of California, as amended, and all highway carriers as defined in Chapter 223, Statutes of 1935, as amended, for the transportation, for compensation or hire, of any and all commodities.

Case No. 4246

In the Matter of the Establishment of maximum and minimum, or maximum or minimum rates, rules and regulations of all common carriers, as defined in the Public Utilities Act of the State of California, as amended, and all highway carriers, as defined in Statutes 1935, Chapter 223, as amended, for the transportation, for compensation or hire, of any and all agricultural products.

Case No. 4293

BY THE COMMISSION:

Additional Appearances

Tremaine and Knox, by Frank L. Knox, for Associated Contract Truckers, and Croxen Trucking Company, and Citizens' Truck Company.
C. A. Hodgman, for the Harbor Administration of the City of San Diego, and San Diego Chamber of Commerce.
Jackson W. Kendall, for California Van and Storage Association.
Harry Helferich, for American Fruit Growers.
Arthur Glanz, for McClannam Trucking Company.
O'Melveny & Myers, L. N. Wright, for Riverside Cement Company.
L. H. Stewart, for California Cotton Oil Corporation, J. G. Boswell Company, Fred Gill and Sons.
Thomas R. Phillips and George B. Moore, for Western Growers' Protective Association.
A. E. Patton, for Richfield Oil Company and Rio Grande Oil, Incorporated.
J. D. Rearden, for Union Oil Company of California.
Paul H. Moore, for Gilmore Oil Company.
C. G. White, for Los Angeles Grange Exchange.
F. F. Miller, for California Milling Corporation.
H. R. Brashear, for Los Angeles Chamber of Commerce.
G. M. Hunton, for Valencia Truck Co.
Harold E. Smith, for Western Auto Supply Company and Western Traffic Conference.

SUPPLEMENTAL OPINION

In Ex Parte 148, In re. Increased Railway Rates, Fares and Charges, 1942, the Class I railroads of the United States, The American Short Line Railroad Association membership, and certain other carriers subject to The Interstate Commerce Act were authorized to effect a 10 per cent increase in fares for the transportation of passengers, a 6 per cent increase in rates and charges for the transportation of property generally, and a 3 per cent increase in rates and charges for the transportation of the basic or raw products of agriculture, animals, animal products and products of mines. Flat increases in rates were authorized upon coal, coke and lignite; ¹ no increases in rates were authorized upon iron ore or iron sinter.

¹ The passenger rate increase authorization was issued January 21, 1942; that dealing with freight rates March 2, 1942.

The Interstate Commerce Commission was petitioned by the railroads for an increase of 10 per cent in freight and passenger rates shortly after agreements involving certain increases in wages of railroad employees became effective. These agreements resulted from recommendations of a Mediation Board appointed by the President of the United States to negotiate demands of railroad employees for wage increases. The wage settlement for Class I railroads provided an increase of 9.5 cents per hour in basic hourly wage rates, equivalent to an increase of 76 cents per day to operating employees. An increase of 10 cents per hour, or a basic daily wage increase of 80 cents per day, was also provided for nonoperating employees. The pay increases became effective December 1, 1941, and the employees received retroactive pay for the period from September 1 to December 1, 1941. The wage changes described were not temporary. A vacation of six consecutive working days with pay for all employees in the nonoperating organizations of the railroads represented at the mediation hearing was allowed. A recommendation for a basic minimum wage scale of 40 cents per hour for employees of certain short lines was made.

The Interstate Commerce Commission stated that the above mentioned wage increases, based upon 1941 employment, would produce an annual estimated increased cost to the Class I railroads of \$331,771,000,² but estimated that with added personnel and increase in overtime anticipated for 1942, the wage cost would be increased over

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The Commission concluded that not over \$300,000,000 was chargeable to operating expenses as distinguished from tax accruals and capital account. The carriers segregated the estimated wage increase as follows:

Operating employees covered in agreements.....	\$ 69,250,000
Nonoperating employees covered in agreements..	199,874,000
Increase in payroll taxes.....	16,147,000
Vacations to nonoperating employees.....	26,500,000
Probable increase to other employees.....	<u>20,000,000</u>
Total.....	\$331,771,000

the aforesaid figure. It also found that railway materials and supplies have increased substantially in price. The Commission pointed out that notwithstanding these increased costs, a portion of which was borne during 1941, the net income of the nation's railroads was approximately \$500,000,000 for 1941. This amount, it said, cannot be considered too high for a prosperous year following a long period of lean years.

For 1942, the Commission stated, carriers have experienced and apparently will continue to experience an upswing in traffic and in revenue, and that a considerable portion of the increase in revenue should be carried into net earnings. This circumstance, coupled with the fact that a 10 per cent increase had been authorized in passenger fares, it said, makes unnecessary the granting of the requested 10 per cent increase in freight rates. More specifically, the Commission said, "It is clear that the need for increased earnings which the petitioners predicated upon the traffic volume of 1941 is subject to some discount on account of the prospect for a future growth in traffic and the consequent greater net earnings in 1942.

*** A rate increase of 10 per cent applied to the present increased traffic and that which is reasonably in prospect would yield a larger amount than is necessary to meet the avowed purpose of the increase sought but a smaller increase is justified."

In Application No. 24670 the California rail lines and certain connecting vessel and highway carriers requested the authority of this Commission to increase their intrastate passenger fares and freight rates by the same amounts as the Interstate Commerce Commission authorized them (and other carriers) to increase interstate fares and rates. By Decision No. 35007 of February 6, 1942, an Interim Opinion and Order, the Commission authorized a 10 per cent increase in passenger fares, except that local commute fares and the

fares of the Pacific Electric Railway were specifically excluded from the authorization.³ In that decision it was pointed out by the Commission that the course pursued by the carriers in seeking an adjustment in both interstate and intrastate rates is part of a program to obtain a nationwide increase in rates, fares and charges.

At the hearings in Ex Parte 148, supra, the Secretary of the American Trucking Association, Inc., a nationwide organization of motor carriers of property, announced it was the intention of the majority of the Association membership to file with the Interstate Commerce Commission tariffs containing increases in rates for the transportation of property by truck by amounts comparable to those authorized for rail transportation. Following generally the course the American Trucking Association indicated interstate motor carriers would take, The Truck Owners Association of California, on behalf of its membership, filed with this Commission Application No. 24724. It requested therein that minimum rates and charges, heretofore established by the Commission in Cases Nos. 4246 and 4293 for the transportation of property in intrastate commerce throughout California, be increased to the same extent as the interstate rail rates in Ex Parte 148, supra,⁴ and that highway common carriers and express corporations be authorized to increase rates and charges by like amounts for the transportation of property in intrastate commerce for which rates have not been prescribed heretofore in Cases Nos. 4246 and 4293. The Motor Truck Association of Southern

³ Pacific Electric Railway fares were excluded in that they were being considered in a separate proceeding (Application No. 24656).

⁴ No increases are sought in connection with (a) transportation of petroleum products in bulk; (b) transportation of household goods in "local moving" as described in Appendix "A" of Decision No. 32629, as amended, in Case No. 4246; or (c) transportation of livestock which was dealt with in a separate proceeding (See Decision No. 35201 of March 31, 1942).

California and certain other highway carriers intervened in support of the application.

Public hearings were held in these matters in San Francisco, January 29 and 30, 1942, and in Los Angeles, March 11, 1942.⁵

The rail lines represent that the circumstances which made necessary the increase in interstate rates apply with equal force to California intrastate traffic. A similar rate increase, they assert, is essential in intrastate rates in order that the cost burden recently thrust upon the carriers may be distributed equitably over all classes of traffic. The cost burden referred to, the record shows, is composed of wage increases resulting from the mediation agreement; recently incurred expenses encountered in protecting railroad facilities from sabotage efforts; obligations which the carriers have incurred in obtaining new equipment and reconditioning old equipment that they might efficiently bear the transportation load thrust upon them by the nation's war effort; and increasing costs of materials and supplies brought about by the upward spiral in prices.

A witness estimated that based upon 1941 employment, six Class I railroads⁶ serving California would, as a result of the mediation agreement, incur an added system wage expense of \$52,869,000. It is estimated by the carriers that for the nation as a whole from \$30,000,000 to \$70,000,000 annually will be spent in protection of

⁵ The San Francisco hearings dealt only with Applications Nos. 24670 and 24724, and were heard before Commissioner Riley. Upon adjournment to Los Angeles, however, Cases Nos. 4246 and 4293 were set for hearing with the aforesaid applications and the record developed at San Francisco in Application No. 24724 was made a part of the record in those cases. The Los Angeles hearing was before Commissioner Craemer. The record submitted herein includes as Exhibit No. 1 in Application No. 24670, the record developed at St. Louis, Missouri, in Ex Parte 148, supra.

⁶ These railroads are the Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, Northwestern Pacific Railroad Company, The Western Pacific Railroad Company, Union Pacific Railroad Company, and Great Northern Railway Company.

railroad property. The Southern Pacific Company alone is now spending approximately \$40,000 per month for protective purposes. Other California carriers are encountering proportionately high expenses in safeguarding their lines.

Accounting officers for the Southern Pacific Company and The Western Pacific Railroad Company testified that system capital expenditures on facilities and equipment, directly attributable to the national emergency, totaled \$57,038,312 and \$161,773, respectively. Similar statistics were not presented in behalf of the other lines. Advances in prices of materials and supplies during the past year were said to be in the neighborhood of 10 per cent, with further increases in prospect for 1942.

Income, expense and rate of return statistics were submitted in separate and collective form to show that over a period of years the rail lines involved had earned less than a reasonable rate of return on the book value of their properties. For the eleven years, 1930 to 1940, inclusive, the six railroads heretofore named earned an average net railway operating income of \$79,848,565 on an aggregate property investment of \$4,132,995,581, or a return of 1.93 per cent. Statistics submitted for five of these carriers disclose the following rates of return for the years shown:

Name of Carrier	RATE OF RETURN IN PER CENT FOR YEARS SHOWN												
	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
Southern Pacific Company	3.98	2.83	1.58	.63	.79	1.44	1.56	2.35	1.50	.90	1.90	2.20	3.61
Northwestern Pacific Railroad Company	.42	D	D	D	D	D	D	.39	D	D	D	D	D
Western Pacific Railroad Company	1.94	1.45	.19	.36	.65	.90	.72	.08	D	D	1.19	1.86	2.97
Atchison, Topeka and Santa Fe Railway	6.21	3.86	2.62	1.48	1.17	1.27	1.33	1.57	1.44	1.50	1.58	1.98	3.32
Union Pacific Railroad Company	5.01	3.83	2.68	1.95	2.06	2.02	2.05	2.64	2.38	2.05	2.06	2.32	2.36

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Witnesses for the various railroads testified that, in general, the revenue produced from California intrastate traffic represents a substantial portion of their total revenue. Exhibits submitted in evidence to corroborate these statements disclose that for 1940, the last complete year for which statistics are available, revenue of the Class I carriers named below accrued in the proportion indicated:

Carrier	Per Cent of Total Revenue Earned In California*	Per Cent of Total Revenue Earned In California That Is Intrastate	Per Cent of Total Revenue That Is Intrastate
Southern Pacific	48.5	28.0	13.5
Northwestern Pacific	100.0	65.7	65.7
Western Pacific	46.5	16.4	7.6
Atchison, Topeka and Santa Fe	16.0	25.0	4.0
Union Pacific	4.9	8.4	.4

* - Includes proration of interstate earnings.

It was conceded that additional traffic would accrue to the railroads during 1942 due to intensified war production and to curtailment of other transportation facilities. No accurate estimate of the extent of the prospective revenue increase from the increased traffic was deemed possible, partly because a large portion of such traffic would be subject to movement at land grant rates. The Vice President of the Southern Pacific Company stated that for eleven months of 1941, the Class I railroads of the nation had experienced a 24 per cent increase in gross revenue over 1940, during which period the Southern Pacific's operating revenue increased 28 per cent. The witness testified, moreover, that this war traffic increase did not necessarily mean that net revenues were augmented in like proportion. As an illustration, he explained that in December, 1941, railway operating revenues of his company had increased 30 per

cent over December, 1940, but that for the same period operating expenses (excluding the wage increase) had increased 36 per cent.

A witness for the California short-line railroads testified that these carriers have been subjected to increased expenses to the same extent as the Class I railroads operating in California and are equally in need of the requested increase in rates.

Representatives of both northern and southern California trucking interests testified in support of The Truck Owners Association application for an increase in rates. A maximum increase of 6 per cent in rates, they stated, represents an amount which will only partly offset marked increases in labor costs, materials and supplies and operating expenses in general which highway carriers have experienced during recent months and which are in prospect in the immediate future.

Labor costs in northern California, the record shows, have increased not less than 15 per cent. This increase, the Secretary of The Truck Owners Association testified, is the result of wage agreements recently negotiated whereby rates of pay of drivers and mechanics have been substantially advanced. It was testified also that southern California truck operators are currently negotiating wage contracts which will increase labor costs to them by at least 14 per cent in the immediate future. In addition to increased labor costs, the record shows that loss of skilled personnel to defense industries has reduced the efficiency of operations, thereby increasing the cost of transportation to the carriers. Exhibits covering Southern California Freight Lines' operations disclose a marked decrease in pounds per man hour handling time of shipments for the last four months of 1941 as compared with the same period for 1940, which decrease was assigned to the aforementioned diversion of skilled personnel.

According to the testimony of truck operators and cost engineers, materials and supplies have increased greatly in price within the last past several months. Tires, for example, they said, have increased by amounts ranging from 15 per cent to 33 per cent. Exhibits detailing price changes of truck parts and supplies disclose that individual items have increased by amounts ranging from 5 per cent to 80 per cent.

It was conceded that gross revenues of highway carriers have increased substantially during the past year as a result of wartime production efforts of California industries. These gains were said to have been offset by increases of like nature in operating expenses. The experience of Western Truck Lines was cited as typical of the experience of the majority of highway common carriers. The records of that carrier disclose a 34 per cent increase in revenue for the last four months of 1941 over the same period for 1940. Operating expenses, however, increased 33 per cent. Freight transported for the four-month period in 1941 reveals a 40 per cent increase by weight. In contrast thereto, however, the revenue yield per ton showed a marked decline in 1941. A comparison of revenues and expenses of Pacific Freight Lines for the same four-month period reveals that 1941 revenues increased 30 per cent over 1940, but that expenses increased 37 per cent. These unfavorable operating conditions were attributed to the circumstances heretofore reviewed and to the fact that military transportation requirements have made it impossible to utilize equipment efficiently.

The Traffic Manager of The River Lines endorsed the applications of the rail and highway carriers, stating that his company proposed to make application to the Commission to increase its local rates to the extent that rail and truck rates might be increased in the pending proceedings.

Numerous shipper witnesses testified. In general, they recognized that increased costs and unforeseen expenditures which the carriers have recently encountered make necessary an upward revision in rates. However, certain objections and requests were made. The San Francisco Grain Exchange, Los Angeles Grain Exchange, California Hay Grain and Feed Dealers Association, Globe Mills, Pillsbury Flour Mills and California Milling Company requested: separate hearings in connection with grain and grain products; deferment of the effective date of any increase in grain rates until June 1, 1942; not more than a 3 per cent increase in carload or less-carload rates on grain and grain products; the specific inclusion of commodities named in Pacific Freight Tariff Bureau Tariff No. 240-E, C.R.C. No. 77, as taking grain and grain products rates so that they will not be subject to greater increases;⁷ and a limitation of not to exceed two years on any increases authorized. The Holly Sugar Company, Spreckels Sugar Company and American Crystal Sugar Company opposed any increase in rail rates for the transportation of sugar beets, crushed lime rock, and beet sugar final molasses moving between factories for the further extraction of sugar. The Associated Oil Company, Richfield Oil Company and Rio Grande Oil, Incorporated, requested that no increase in rates for the transportation of bulk petroleum, in tank cars, be authorized. Golden State Company, Ltd. requested that dairy products, including buttermilk, condensed or dried, be specifically named as taking a maximum increase in rates of 3 per cent; that the authority granted by the Interstate Commerce Commission to subject shipments of mixed carload traffic to the rate of increase of the commodity taking the highest

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Emuel J. Forman, Traffic Manager of Globe Mills, explained that the list of products in the tariff named is more comprehensive than the list contained in Highway Carriers' Tariff No. 2.

rate of increase be rejected as to California traffic; and that the requested 3 per cent increase in truck rates should apply to rates subject to minimum weights of 20,000 pounds and over. The Calavo Growers of California and Calavo, Incorporated, objected to an increase in minimum rates for the transportation of fresh fruit and fresh vegetables. The Pacific Portland Cement Company opposed an increase of not more than 3 per cent in rates for the transportation of sea shells, whole, crushed, ground or powdered, in straight or mixed carloads. Certain redwood and pine lumber producers sought a maximum limitation of any percentage increase authorized on lumber and forest products. The California Portland Cement Company asked for the preservation of competitive rate relationships between cement mills. The Western Auto Supply Company and certain allied interests opposed any increase in class rates subject to minimum weights of less than 10,000 pounds. The California Farm Bureau Federation originally objected to a 10 per cent increase in rates but withdrew its objection in view of the fact that applicants limited their request for an increase in rates of not more than 6 per cent.

The Commission has here for decision the question of whether, in view of the evidence submitted in these proceedings and hereinbefore summarized, a general or "horizontal" increase in rates and charges should be granted, thereby increasing rail and truck carrier revenues in the aggregate. Proceedings of this nature are not novel to this Commission nor to the Interstate Commerce Commission.

Rails

For more than a quarter of a century during periods of

8 L. H. Wolters, Traffic Manager of Golden State Company, pointed out that the 3 per cent increase granted by the Interstate Commerce Commission in Ex Parte 148, supra, was restricted to carload traffic. For the purpose of applying this increase to minimum rates established by the Railroad Commission for truck transportation, he expressed the opinion that rates subject to minimum weights of 20,000 pounds and greater should be viewed as carload traffic.

economic abnormality, or as a result thereof, the rail carriers have filed applications before this Commission and the Interstate Commerce Commission requesting percentage increases in rates and fares to be applied uniformly to all carriers, regardless of their financial conditions. In all of these proceedings it has been stated with particularity that the reasonableness of any particular rate, fare or charge was not in issue and that the lawfulness and propriety thereof might be challenged at any time. In brief, the proceedings referred to and those currently before us for decision may be characterized as "revenue proceedings" as distinguished from "rate proceedings" wherein evidence relative to particular rates is germane to the issue.

The first of these revenue proceedings was disposed of in 1910, wherein the rail lines in official classification territory were denied a general increase in rates by the Interstate Commerce Commission, Advance in Rates - Eastern Case, 20 I.C.C. 243. Later, however, in 1914, these same carriers, with exceptions not here important, were accorded a 5 per cent increase in freight rates. The Five Per Cent Case, 31 I.C.C. 351. Subsequent thereto, consideration was given on numerous occasions to requests of railroads for territorial increases in both freight and passenger rates, wherein the authority sought was either granted or denied by the Interstate Commerce Commission on the basis of the revenue needs of the carriers as a group.

In 1917 the railroads of the nation, prompted by the disrupted economy created by World War I, petitioned the Commission for authority to effect a percentage increase in rates. The authority sought was granted in part, the western carriers being immediately authorized to increase certain of their rates 15 per cent. The Fifteen Per Cent Case, 45 I.C.C. 303. This proceeding served as the forerunner of five other major cases, wherein general increases in

rates were accorded on the basis of the collective revenue needs of the nation's railroads.

In 1918, by General Order 28, the Director General of Railroads increased the rates of all railroads to effect a 25 per cent revenue increase. Approximately two years later, after the termination of Federal control of the railroads, the Interstate Commerce Commission authorized increases in freight rates of 40, 25, and 35 per cent in the Eastern district, Southern and Mountain Pacific districts, and for other western railroads, respectively. Interterritorial increases of 33-1/3 per cent were accorded. A 20 per cent increase in passenger fares was also authorized, plus a Pullman surcharge of 50 per cent which accrued to the rail carriers. Ex Parte 74, In re Increased Rates, 1920, 58 I.C.C. 220. In 1931 rates of all rail carriers were again increased on a per car or per hundred weight basis, the increases applying against specific commodities. Fifteen Per Cent Case, 1931, 178 I.C.C. 539. Subsequent thereto, the Interstate Commerce Commission, in 1935, authorized freight rate increases ranging generally from 5 to 10 per cent. Ex Parte 115, Increased Freight Rates and Charges, 208 I.C.C. 4, 223 I.C.C. 657. Again in 1937 further increases were authorized. Ex Parte 123, Fifteen Per Cent Case, 1937-1938, 226, I.C.C. 41. Apart from intervening downward adjustments in particular rates or groups of rates voluntarily made by the carriers, a general freight rate reduction of about 10 per cent was ordered in 1922, and in 1936 passenger fares throughout the country were subjected to a downward revision.

It has never been questioned but what transportation companies should be entitled to earn a fair return on their investment. Nor has it been doubted that to sanction greater than a fair or rea-

⁹ Reduced Rates, 1922, 73 I.C.C. 189; Passenger Fares and Surcharges, (1936) 214 I.C.C. 174.

sonable return would be unlawful. In all of the cited cases, and in Ex Parte 148, supra, carriers that were prosperous and not in need of financial assistance joined with the less fortunately situated lines as applicants. And the Commission, although not always expressly required by statute, considered their needs on an aggregate basis.

In New England Divisions, 66 I.C.C. 196, 203, the Interstate Commerce Commission said:

"In all such general rate cases we have realized and have held that if we were required to consider the justness and reasonableness of each individual rate, the law would in effect be nullified and the Commission reduced to a state of administrative paralysis." (This language of the Commission above quoted was referred to with approval by the Supreme Court of the United States in reviewing an appeal of the cited case, Akron, Canton & Youngstown Railway Company vs. United States, 261 U.S. 184, 197-198.)

Again, in the Fifteen Per Cent Case (1931), 178 I.C.C. 539, 564, the Interstate Commerce Commission, in discussing the applicable laws as they existed prior to 1920 and subsequent thereto, stated:

"We agree with the carriers that prior to section 15a the revenue needs which we were bound to consider were those of individual carriers, although as a practical matter we have long considered all competing lines and not merely that line which can handle the business cheapest in determining the reasonableness of rates."

The need for according such treatment to the carriers is succinctly stated in Ex Parte 148, supra, as follows:

"It would be desirable, if feasible, to consider the needs of the railways individually, and to adjust their respective schedules to meet their several needs. The exigencies of the case do not permit such refinement. Further, the weak and strong lines are interlaced and in keen competition, and necessarily the rate structure must be uniform, otherwise the strong road with a lower rate system will attract the competitive traffic and exterminate the weaker line. However, as to certain important commodities it happens that the rate structure is such that the relative strength (or) weakness of the most important rail carriers involved can be reflected in the rates on the commodities involved. Where the evidence justifies such action, they can receive special treatment, and thereby mitigate the disturbances and inequalities which would follow the imposition of a uniform percentage increase."

Generally speaking, this Commission authorized the same horizontal increases on California intrastate traffic as the Inter-

state Commerce Commission authorized on interstate commerce. The principal reasons which justified the Commission in authorizing these increases were:

1. The California rail carriers as a whole were in need of additional revenue.
2. Such increases would not yield to the California lines, in the aggregate, revenue in excess of a reasonable return.
3. The general overall intrastate rate level in California would still be within the zone of reasonableness.¹⁰
4. To avoid confusion, undue and unreasonable discrimination, preference and prejudices, it is inherently desirable to maintain interstate and intrastate rates on a parity.

We believe the record before us now justifies the granting of the rail carriers' application, except that no increase in rates should be authorized for the transportation of petroleum products, in bulk, which rates are the subject of a separate investigation. Over a thirteen-year period, 1929-1941, inclusive, the Northwestern Pacific Railroad Company experienced a deficit in all but two years (1929 and 1936); The Western Pacific Railroad Company, operating in receivership for six of the thirteen years, either incurred a deficit or earned less than 2 per cent annually on its investment; and from 1930 to 1941 the other Class I applicants presenting statistics herein (Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company and the Union Pacific Railroad Company) earned less than 3 per cent annually on their respective investments. While in 1941 the

¹⁰ Over a long period of years prior to the enactment of the truck regulatory laws in 1935, the rails and trucks were engaged in a bitter rate war that threatened their existence. As a result, the general level of rail rates was hammered to a point considerably below a maximum reasonable level. (See In re, Investigation Into Operations of California Transportation Systems, 38 C.R.C. 81.)

Southern Pacific Company realized a 3.61 per cent return on its investment and the Santa Fe a 3.32 per cent return, those amounts cannot be characterized as excessive or as even approaching the twilight zone bordering on excessiveness.

All of these railroads have, in recent months, experienced marked increases in the volume of traffic handled and in revenue receipts. There is every prospect that this condition, created by the nation's war effort, will continue for a temporary period at least. The extent to which the increase in revenue may be reflected in net earnings was not forecast. Without doubt earning increases will result. However, expenses resulting from wage increases (which were not granted on a temporary basis), and from the various other sources heretofore reviewed will absorb a portion of the added revenue derived from wartime traffic.

While we believe the record before us justifies granting the application of the rail carriers, it likewise appears that because of the material increase in traffic handled by the California carriers they will probably not need further increased rates for some time. Yet the so-called weak lines in other sections of the country, not so fortunately situated, may soon need additional revenue and, following the usual procedure of the railroads, they will all join in a common application for increased rates - the weak with the strong.

We agree that because of competitive conditions the financial needs of the rail carriers cannot be considered individually, but should be considered as a whole. Yet it shocks the conscience to authorize increases to strong and prosperous carriers, which are now earning far in excess of a reasonable return.

Rather than go on endlessly "horizontally" increasing rates to protect the weak lines, while the earnings of the stronger lines

grow fatter and fatter, there should be statutes enacted which would permit a recapture, in whole or in part, of the excess earnings of the stronger lines, to be distributed to the weaker lines.

Such a provision was contained in the "Recapture Clause" of Section 15(a) of the Transportation Act of 1920, (41 Stat. 488).¹¹ It was repealed by the "Emergency Transportation Act of 1933" (48 Stat. 220), for the reason that the procedure prescribed for the Interstate Commerce Commission to follow in recapturing excess earnings proved unworkable from a practical standpoint. (See Congressional Records, 77 Cong. Rec. 4250, Senate Report No. 87, Re S. 1580.) At the time of the repeal of the "Recapture Clause" there was available for distribution to the weak lines approximately \$13,000,000 (principal and interest). However, there was an additional amount of about \$348,000,000 declared recapturable by the Interstate Commerce Commission, but which was the subject of litigation.

We are firmly convinced that had the "Recapture Clause" proved workable and had been in effect today there would have been no need for the rail carriers, as a whole, to have any increase in rates and fares at this time. For the first ten months of 1941, the rates of return for the rail carriers, as a whole, were as follows:

<u>All U. S. Railroads</u>	<u>Eastern District</u>	<u>Pocahontas Region</u>	<u>Southern Region</u>	<u>Western District</u>
5.93%	5.49%	9.93%	7.05%	5.64%

It appears obvious that if as a practical matter regulatory commissions must consider the railroads as a whole in passing upon the so-called revenue proceedings, there should be workable legislation enacted to prevent the rail carriers earning in excess of a reason-

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The Supreme Court of the United States upheld the validity of the "Recapture Clause" in Dayton-Goose Creek Ry. vs. United States, 263 U.S. 456.

able return to retain such excess earnings. Unless such legislation is enacted, the public is not receiving the degree of protection which the regulatory statutes contemplate.

Trucks

The proposal of The Truck Owners Association and other motor transportation interests for rate increases contemplates that the minimum rates and accessorial charges heretofore established for the transportation of general merchandise, household goods and personal effects in long distance moving, property in dump trucks, and fresh fruits and vegetables would be subjected to an upward revision in rates.¹² With the exception of fresh fruit and vegetable rates, which were made effective May 1, 1941, rates for the other transportation referred to were made effective more than two years ago. Individual adjustments involving both increases and decreases have been made from time to time; none of the rate schedules, however, have been subjected to a general revision.

The foregoing truck rates were established after exhaustive hearings were held throughout the State and upon full consideration of all elements of rate making, including cost of service. While the established rates generally are somewhat below the full cost of performing the service, the Commission at the time it established them deemed them sufficient in volume for efficient truck carriers to operate thereunder.

The record in these proceedings demonstrates conclusively that the change from a peacetime to a wartime economy created for California truck operators substantial increases in operating expenses which were obviously not in prospect at the time any of the aforesaid minimum rates were established and were not provided for

¹² The referred to rates and charges are contained in Highway Carriers' Tariffs Nos. 2, 4 and 7, issued in Case No. 4246 and in Highway Carriers' Tariff No. 8, issued in Case No. 4293.

in the level of those rates. These increased expenses, arising primarily from the spiraling of wage costs and of prices for materials and supplies, from conducting operations with a changing personnel and from transporting property under conditions which will not permit efficient operations, are shown on this record to be well in excess of the rate increases requested. We are of the opinion, however, that if the established minimum rates are increased as requested, and if highway common carriers are authorized to increase their published rates on commodities for which rates have not been established, the additional revenue so produced should, with that accruing from added traffic currently flowing from California industries, cover the majority of these expenses.

The adjustment in minimum truck rates herein sought will be made effective by issuing a supplement to outstanding Highway Carrier tariffs, which supplement is attached hereto as Appendix "A" of the order herein. In order to make the 3 per cent increase hereinafter provided in truck rates conform as nearly as possible to the 3 per cent increase in rail rates, it will be made to apply to class rates which are subject to carload ratings and attendant minimum weights, and to rates which are subject to minimum weights of 20,000 pounds or greater. Rates on fruits and vegetables subject to a minimum-weight of 18,000 pounds also will be included in the 3 per cent group.

F I N D I N G S

Upon consideration of all the evidence of record, the Commission is of the opinion and finds:

(1) That Application No. 24670 should be granted, except that no increases in rates should be authorized for the transportation of petroleum or petroleum products, in bulk, in tank cars, and that Decision No. 35007 of February 6, 1942, an Interim Opinion and Order

authorizing passenger fare increases, be continued in full force and effect;

(2) That Application No. 24724 should be granted by the issuance of a special supplement to Highway Carriers' Tariffs Nos. 2, 4, 7 and 8, in the manner provided in Appendix "A" of the order which follows these findings;

(3) That highway common carriers and express corporations should be authorized to establish on not less than one (1) day's notice to the Commission and to the public increased rates for the transportation of property for which rates have not been established by outstanding minimum rate orders in Cases Nos. 4246 and 4293, as proposed in Application No. 24724, the increases to be not in excess of those provided in Appendix "B" of the order which follows these findings;

(4) That in accepting the benefits of the order which follows these findings carriers shall be understood as agreeing that they will never urge in any proceeding under Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge;

(5) That common carriers should be authorized to depart from the provisions of Section 24(a) of the Public Utilities Act and from the provisions of Tariff Circular No. 2, to the extent necessary to carry out the authorizations of Findings Nos. (1) and (3) hereof.

O R D E R

Applications having made to the Railroad Commission for an order as indicated in the foregoing opinion, public hearings having been held, and the Commission being fully advised in the premises,

IT IS HEREBY ORDERED that, subject to the exception provided in Finding No. 1, applicants in Application No. 24670 be and they are, and each of them is, hereby authorized to establish on not less than one (1) day's notice to the Commission and to the public the increased freight rates and charges proposed by said application.

IT IS HEREBY FURTHER ORDERED that Highway Carriers' Tariffs Nos. 2, 4 and 7, issued in Case No. 4246, and Highway Carriers' Tariff No. 8, issued in Case No. 4293, be amended by making a part of each of the aforesaid tariffs, as Supplement No. 1 thereof, said supplement, which is attached hereto and by this reference made Appendix "A" hereof.

IT IS HEREBY FURTHER ORDERED that tariff publications required to be made by common carriers as a result of the amendments to Highway Carriers' Tariffs Nos. 2, 4, 7, and 8, provided by the preceding ordering paragraph, shall be made effective on not less than one (1) day's notice to the Commission and to the public.

IT IS HEREBY FURTHER ORDERED that highway common carriers and express corporations be and they are, and each of them is, hereby authorized to establish on not less than one (1) day's notice to the Commission and to the public increased freight rates and charges upon commodities for which rates have not been established by the Commission in outstanding minimum rate orders, said increased freight rates and charges to apply upon the commodities and to the extent provided for in Appendix "B" of this order, which appendix is attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that common carriers be and they are, and each of them is, hereby authorized to depart from the provisions of Section 24(a) of the Public Utilities Act and from the provisions of Tariff Circular No. 2, to the extent necessary to carry out the effect of the order herein.

IT IS HEREBY FURTHER ORDERED that all outstanding unexpired orders of the Commission, whether or not effective upon the date of this order, authorizing or prescribing rates which have or have not been published at the date of this order, and all outstanding suspension orders be and they are hereby modified to the extent necessary to permit the increases herein authorized to be applied, but that in all other respects said orders shall remain in full force and effect, unaffected by this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted, is subject to the express condition that no carrier will urge before this Commission in any proceeding under Section 71 of the Public Utilities Act, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates or charges pursuant to the authority hereby granted will be construed as consent to this condition.

IT IS HEREBY FURTHER ORDERED that Decision No. 35007 of February 6, 1942, (Interim Opinion and Order) in Application No. 24670, be and it is hereby continued in full force and effect.

IT IS HEREBY FURTHER ORDERED that the Commission shall have, and it does hereby retain, jurisdiction of these proceedings for the purpose of altering or amending orders entered herein and for the purpose of determining, if need be, the lawfulness of any particular rate or charge, or rates or charges, resulting from this order.

The authority herein granted shall be void unless the rates and charges authorized in this order are published, filed and made effective on not less than sixty (60) days from the effective date hereof.

This order shall become effective ten (10) days from the date hereof.

Dated at Los Angeles, California, this 14th day of April, 1942.

Walter F. Rasmussen
Ray L. Riley
W. W. Baker

Commissioners

DISSENTING OPINION

IN APPLICATIONS NOS. 24670 AND 24724,

CASES NOS. 4246 AND 4293.

Commissioners Havenner and Sachse dissenting in part.

No increases in rail freight rates are justified, and none should be made, in excess of the additional revenue needed by the carriers to offset actual wage increases and other increases in operating expenses. The principal California railroads representing the very large proportion of the State's railroad mileage are being given more than they need and more than they, themselves, ask for.⁽¹⁾

(1) The rail carriers' application to this Commission reads:

"Applicants state that the Class I railroads of the United States, and some railroads of other classifications, recently incurred certain unavoidable and continuing increases in their operating costs which are so substantial that, unless promptly offset by increases in revenues, they will seriously impair the financial resources of the railroad applicants and greatly endanger their ability to continue to render adequate and efficient transportation service as contemplated by law, and on which the safety of our country now, more than ever before depends."

And further:

"Applicants therefore allege that the conditions which require an advance in their interstate rates, fares and charges apply equally to California intrastate traffic, and that an advance in the rates, fares and charges on the latter, equal and corresponding to those proposed for interstate and foreign commerce, is indispensable in order to afford your applicants the minimum measure of relief necessary in the public interest and in the interest of your applicants."

Reference is made in the application to Ex Parte 148, a similar application for increases in interstate rates to the Interstate Commerce Commission. In that petition applicants state:

"Petitioners state that they recently incurred certain unavoidable and continuing increases in their operating costs, which are so substantial

The fact is stressed that this is a "revenue proceeding" as distinguished from a normal rate proceeding. That means the reasonableness and fairness of the separate rates are not at issue and some of the otherwise controlling rate making factors (value of property, rate base, rate of return, cost of money, etc.), are given no, or minor consideration. The problem is the providing of sufficient additional revenue to reimburse the carriers for increased labor costs and other operating increases, caused in the main by the war effort, and rate increases sufficient for that purpose should be granted. A grant of more is inconsistent with the nation's war effort and violates the principle of equitable sacrifice that must govern at this time. In order to accomplish this purpose it is necessary for the Commission to know

- (a) what the increased costs will amount to, on an annual basis;
- (b) what the increased revenue from increased business, under existing rates, will be, in the same annual period;
- (c) how far the increased revenue (b) will fall short of meeting the increased cost (a).

(1) (Cont'd)

"that, unless promptly offset by increases in revenues, they will seriously impair the financial resources of petitioners and greatly endanger their ability to continue to render adequate and efficient railway transportation service on which the safety of our country now more than ever before depends."

Mr. Lyons, attorney for the principal carriers, said in the hearing before this Commission (Tr. 353):

" * * * * Now, they (the witnesses) # have said, 'Don't give the railroads any more than they require,' which is a perfectly proper thing. We are not asking for any more than we require. * * * "

Words in parentheses supplied.

The deficiency represented by item (c) is to be provided by an increase in passenger, freight and express rates and such is the prayer of the railroads to the Interstate Commerce Commission and to the State Commissions. Obviously, unless reasonably reliable estimates are available for the three items (a), (b) and (c), no sound or fair determination can be made.

In the proceeding before the Interstate Commerce Commission and before this Commission the carriers introduced testimony on item (a), for the entire country, but were silent on (b) and (c). We think this is a vital deficiency and a denial of the application on that ground alone, pending the introduction of such testimony, would be justified.

A further serious deficiency is this Commission's failure to put into this record testimony by our own expert and wholly competent staff on these essential issues. We have large transportation, rate, accounting and financial departments and divisions. They are constantly engaged in making studies and estimates of this precise nature and much of the required information is available in regular statistical form. Yet the Commission did not avail itself of the advice of our staff on these basic matters. Rate making under such procedure cannot possibly meet the tests laid down for us in Article XII, Section 20, of our state constitution. (2)

-
- (2) Sec. 20. No railroad or other transportation company shall raise any rate of charge for the transportation of freight or passengers or any charge connected therewith or incidental thereto, under any circumstances whatsoever, except upon a showing before the railroad commission provided for in this constitution, that such increase is justified, and the decision of the said commission upon the showing so made shall not be subject to review by any court except upon the question whether such decision of the commission will result in confiscation of property. (Amendment adopted October 10, 1911).

We have, however, sufficient general public information to establish the fact that the four largest California interstate railroads (Southern Pacific, Santa Fe, Union Pacific and Western Pacific) have, since the filing of these applications, experienced, in the aggregate, not only the largest gross earnings but also the largest net earnings (after operating expenses) in their entire history. And the volume of traffic and earnings continues upward. The rubber shortage and the rapidly shrinking volume of private and public automotive highway transport will throw upon the rail carriers a large amount of additional business, up to the very limit of their capacity.

This State contributes a large proportion of the total revenue earned by the principal railroads above referred to. (3)
 The increase in traffic and in net earnings resulting from the war effort is exceptionally large in California.

The railroad freight and passenger rate increases granted by the Interstate Commerce Commission and by this Commission in these proceedings will amount, on state and interstate traffic in California, to not less than \$15,000,000 per year, in our opinion, and may well exceed \$20,000,000 per year. As stated above, no evidence is in the record showing such estimates and the Commission did not ask for information from its departments. This additional cost must be borne by the California producers, shippers and consumers and it is no light matter to place so heavy an additional burden on the State's agriculture and industry.

There is no evidence in the record on the rail carriers' combined estimated increased wage and operating costs chargeable to California and consequently we cannot compare such figures with the estimated results of the rate increases. But we can estimate, from available statistical information regularly published by the

(3) The majority opinion, on page 3, shows the California percentage of the total revenue earned by our principal interstate railroads as follows:

Southern Pacific	48.5%	Western Pacific	46.5%
Northwestern Pacific	100%	Santa Fe	16%
Union Pacific	4.9%		

railroads, that the increased California business, interstate and intrastate, will produce upward of \$70,000,000 per year greater gross earnings on an annual basis than in the preceding year. This increase in gross results from the tremendous volume of new war business and without giving effect to the increased rates. There is no doubt in our mind that in California the additional revenue from increased business alone will more than balance the increase in California wage and other operating expenses.

Another test of the soundness of this view may be had from a review of the regularly published net earnings statistics of the carriers. According to these figures the net railway operating income (after taxes and equipment rentals) of the principal California railroads has increased by over 35% in the last available three months' period, as compared with the corresponding three months of the previous year. ⁽⁴⁾ This increase in net earnings does not reflect any increase in rates and is entirely accounted for by the greater traffic volume. It must be remembered, however, that in the last three months' period referred to above the carriers paid the increased wage and other costs (operating expenses were approximately 30% higher than in the similar previous year's period) ⁽⁴⁾ and the increase in net was experienced after payment of, and notwithstanding these higher operating costs.

The majority opinion appears to confirm our conclusion. The rates of return for the rail carriers, as a whole, for the first ten months of 1941 are given as follows:

<u>All U. S. Railroads</u>	<u>Eastern District</u>	<u>Pocahontas Region</u>	<u>Southern Region</u>	<u>Western District</u>
5.93%	5.49%	9.93%	7.05%	5.64%

(4) December, 1941, January and February, 1942, compared with December, 1940, January and February, 1941.

These figures clearly indicate a generally favorable earning position for the indicated period and a further improvement has taken place since October, 1941.

Our dissent from that part of the majority decision granting truck rate increases is based mainly on the total absence of a record meeting the requirements of Section 63 (a) of the Public Utilities Act.⁽⁵⁾ The Interstate Commerce Commission made no truck decision. The truck rate case before this Commission is not a "revenue proceeding." We cannot agree that considerations of rate differentials and relationships justify flat percentage increases that will cost the California producers, shippers and consumers additional millions of dollars in transportation costs. The highway common carriers, like the rail carriers, should have, we think, sufficient additional revenue to meet actual increased wage and other operating costs resulting from the war effort, to the extent that such costs are not balanced by increased revenue from increased traffic. But these carriers have made no case to establish the essential facts proving such need and have not asked for any specific or percentage rate increase. What they seek is an increase "of the same amount or percentage" as may be authorized by the Interstate Commerce Commission for the rail carriers. Such an application can have no relation, of course, to the actual need for increased revenues, if any, of the truck carriers in California.

There is no showing of aggregate increased wages or other operating costs resulting from the war, no showing of aggregate revenue or expenses; nor of increased traffic or decreased business resulting from the present and prospective rubber and truck shortage.


(5) Sec. 63 (a) No public utility shall raise any rate, fare, toll, rental or charge or so alter any classification, contract, practice, rule or regulation as to result in an increase in any rate, fare, toll, rental or charge, under any circumstances whatsoever, except upon a showing before the commission and a finding by the commission that such increase is justified.

There is no evidence whatever on the amount of money the truck rate increases will produce and how the additional revenue compares with the truckers' actual needs.

The truck and rail carriers both make reference to and subscribe to the urgent necessity of preventing price increases and consequent inflation. We are satisfied that the serious and far-reaching state and interstate rail and highway carrier rate increases allowed by the Interstate Commerce Commission and by the majority of this Commission are an added new and powerful factor in the forces making for increases in prices and living costs and for inflation.

We are in accord with the majority in recommending that effective and practical steps be taken to bring about the "recapture" of excess carrier earnings for the benefit of the nation's transportation system as a whole. This is a federal matter and this Commission, we think appropriately, should urge upon the Director of the Office of Defense Transportation and upon the Interstate Commerce Commission the need for memorializing Congress for the prompt enactment of the necessary legislation.


RICHARD SACHSE,


FRANCK R. HAVENNER,

Commissioners.

SPECIAL SUPPLEMENT CONTAINING INCREASED RATES AND CHARGES

Supplement No.	Tariff
1	Highway Carriers' Tariff No. 2
1	Highway Carriers' Tariff No. 4
1	Highway Carriers' Tariff No. 7
1	Highway Carriers' Tariff No. 8

Naming

MINIMUM RATES, RULES AND REGULATIONS

For The

TRANSPORTATION OF PROPERTY OVER THE PUBLIC HIGHWAYS

Within

THE STATE OF CALIFORNIA

BY

RADIAL HIGHWAY COMMON CARRIERS

AND

HIGHWAY CONTRACT CARRIERS

EFFECTIVE APRIL 24, 1942.

Issued by the
RAILROAD COMMISSION OF THE STATE OF CALIFORNIA
State Building, Civic Center,
San Francisco, California.

PERCENTAGE INCREASES PROVIDED IN THIS SUPPLEMENT SHALL BE APPLIED TO MINIMUM RATES
IN EFFECT ON APRIL 24, 1942.

ITEM NO. 1 APPLICATION OF TABLES I AND II

(a) Find the rate or charge as named in tariff under Column "A" of Table I or Table II, as the case may be, and the rate or charge to be applied will be found opposite thereto under Column "B". When the rate or charge is stated in dollars or dollars and cents, first find the equivalent thereof in cents in Column "A" and apply the rate or charge shown opposite thereto in Column "B".

(b) The increases shown in Table I will be applied to the following rates and charges except as provided in paragraph (c):

- Class Rates
- Commodity Rates
- Long Distance Moving Rates shown in Section No. 3, Highway Carriers' Tariff No. 4, also charges shown in Items Nos. 100(e), 101(g), 130(d), 170, 135, 400 and 410 series when applied on shipments transported under Long Distance Moving Rates
- Minimum Charges
- Minimum Rates
- Charges for:
 - Accessorial Services not otherwise specified
 - C.O.D. (Collect on Delivery) Service
 - Split Delivery
 - Split Pickup

(c) The increases shown in Table II will be applied to the rates designated in connection with tariff items referred to below, viz.:

Item No. (Series)	HIGHWAY CARRIERS' TARIFF NO. 2
505) 507) 510)	Class Rates on articles specified in Note 1 herein when applied in connection with rates subject to minimum weight of 20,000 pounds or when applied in connection with carload ratings.
605	Rates subject to minimum weights of 20,000, 24,000, 30,000 or 40,000 pounds.
651	Rates subject to minimum weights of 18,000 and 30,000 pounds.
654	Rates subject to minimum weights of 20,000 and 30,000 pounds.
657) 658)	Rates subject to minimum weight of 20,000 pounds.
728	Rates subject to minimum weights of 20,000 and 30,000 pounds.
730	Rate subject to minimum weight of 30,000 pounds.
HIGHWAY CARRIERS' TARIFF NO. 2	
300) 301) 320)	Rates subject to minimum weights of 18,000 and 24,000 pounds.

NOTE 1:

Agricultural Products not otherwise specified, except the following:
 Algarobilla; Beans, castor, cocoa, honey (St. Johns bread), mux vomica
 (ground or whole), Tahiti, tonka and vanilla; Chufas, Coconuts, fresh;
 Coffee; Copra; Fibre, vegetable; Florist stock; Fruit, dried or
 evaporated; Fruit juices; Grasses not otherwise specified; Herbs not
 otherwise specified; Ivory nuts (vegetable ivory); Licorice root; Mush-
 rooms, dried; Mushroom spawn; Mustard, ground; Nursery stock; Nut meats;
 Peanut grits; Peel, fruit; Pepper (spice); Pulp, fruit; Sage; Sago;
 Seeds (including bird seed); Spices; Tea or tea dust.

Animal Fat, inedible	Meal, Vegetable-oil
Animal Tails, dry	Meat Refuse
Bentonite	Meats, fresh, or fresh salted
Bladders	Meats, cured, dried, dry salted, pickled or smoked (not including canned meats or canned sausage)
Blood, dried, not otherwise specified	Mill Products (cereal) not other- wise specified, not specially prepared for human consumption
Broom corn	Packing House (meat) Products, edible, not otherwise specified (not including canned meats)
Butterine	Pomace
Buttermilk, condensed or dried	Pyrites, coal
Cake, Vegetable-oil	Pyrites, iron
Calf Rennets (Calves' Stomachs)	Rock, Bituminous Asphalt
Clay	Rock, Borate
Corn husks (corn shucks)	Rock, Canister
Dolomite	Rock, Phosphate, crude (ground or not ground but not further treated)
Earth noibn	Sand (other than glass or moulding)
Food, Animal or Poultry, viz.:	Shale
Blood flour	Sinews
Blood meal	Slag, Furnace (other than open hearth basic slag)
Fish scrap	Stone, broken, crushed or ground
Meat scraps	Stone, Flaming
Tankage	Straw
Feldspar	Tallow, Animal, inedible
Fleshings	Tobacco, leaf, unmanufactured
Fodder	Vegetables, dry
Glue Stock	Vegetable Shortening
Gravel	Weasands
Grease, Animal, inedible, not otherwise specified	Wool, noibn.
Hay	
Hides, Pelts or Skins, dry or green (Cattle, Goat, Hog, Horse or Sheep)	
Hoofs and Horns, Animal	
Kaolin	
Lard Compounds	
Lard Substitutes	
Limestone, crushed or pulverized	

Noibn means not otherwise indexed by name in the Western Classification.

ITEM NO. 2

COMBINATION RATES

When the through rate is made by combining separately stated rates, each of such rates shall be increased before combining.

ITEM NO. 3

COMPUTATION OF RATES AND CHARGES HIGHER
THAN SHOWN IN TABLE I OR TABLE II

Where the tariff rate or charge designated in paragraph (b) of Item 1 herein is higher than shown in Column "A" of Table I, such rate or charge will be increased six (6) per cent.

Where the tariff rate designated in paragraph (c) of Item 1 herein is higher than shown in Column "A" of Table II, such rate will be increased three (3) per cent.

In computing increased rates and charges as provided above, fractions of less than one-half cent will be dropped and fractions of one-half cent or greater will be increased to one cent.

TABLE NO. 1
(Six Per Cent Table)

COL. A		Col. B	COL. A		Col. B	COL. A		Col. B	COL. A		Col. B	COL. A		Col. B
Over	Not Over		Over	Not Over		Over	Not Over		Over	Not Over		Over	Not Over	
0	2	N.C.	40	41	43	91½	92½	98	143½	144½	153	195½	196½	208
2	2½	2½	41	42½	44	92½	93½	99	144½	145½	154	196½	197½	209
2½	2¾	2¾	41½	42¾	45	93½	94½	100	145½	146½	155	197½	198½	210
2¾	3	3	42¾	43¾	46	94½	95½	101	146½	147½	156	198½	199½	211
3	3½	3½	43¾	44¾	47	95½	96½	102	147½	148½	157	199½	200	212
3½	3¾	3¾	44¾	45¾	48	96½	97½	103	148½	149½	158	200	201	213
3¾	4	4	45¾	46¾	49	97½	98½	104	149½	150	159	201	202	214
4	4½	4½	46¾	47¾	50	98½	99½	105	150	151	160	202	203	215
4½	4¾	4¾	47¾	48¾	51	99½	100	106	151	152	161	203	204	216
4¾	5	5	48¾	49¾	52	100	101	107	152	153	162	204	205	217
5	5½	5½	49¾	50	53	101	102	108	153	154	163	205	206	218
5½	5¾	5¾	50	51	54	102	103	109	154	155	164	206	207	219
5¾	6	6	51	52	55	103	104	110	155	156	165	207	208	220
6	6½	6½	52	53	56	104	105	111	156	157	166	208	208½	221
6½	7	7	53	54	57	105	106	112	157	158	167	208½	209½	222
7	7½	7½	54	55	58	106	107	113	158	158½	168	209½	210½	223
7½	8	8	55	56	59	107	108	114	158½	159½	169	210½	211½	224
8	8½	8½	56	57	60	108	108½	115	159½	160½	170	211½	212½	225
8½	9	9	57	58	61	108½	109½	116	160½	161½	171	212½	213½	226
9	9½	9½	58	58½	62	109½	110½	117	161½	162½	172	213½	214½	227
9½	10	10	58½	59½	63	110½	111½	118	162½	163½	173	214½	215½	228
10	10½	10½	59½	60½	64	111½	112½	119	163½	164½	174	215½	216½	229
10½	11	11	60½	61½	65	112½	113½	120	164½	165½	175	216½	217	230
11	11½	11½	61½	62½	66	113½	114½	121	165½	166½	176	217	218	231
11½	12	12	62½	63½	67	114½	115½	122	166½	167	177	218	219	232
12	12½	12½	63½	64½	68	115½	116½	123	167	168	178	219	220	233
12½	13	13	64½	65½	69	116½	117	124	168	169	179	220	221	234
13	13½	13½	65½	66½	70	117	118	125	169	170	180	221	222	235
13½	14	14	66½	67	71	118	119	126	170	171	181	222	223	236
14	14½	14½	67	68	72	119	120	127	171	172	182	223	224	237
14½	15	15	68	69	73	120	121	128	172	173	183	224	224½	238
15	15½	15½	69	70	74	121	122	129	173	174	184	224½	225½	239
15½	16	16	70	71	75	122	123	130	174	174½	185	225½	226½	240
16	16½	16½	71	72	76	123	124	131	174½	175½	186	226½	227½	241
16½	17	17	72	73	77	124	124½	132	175½	176½	187	227½	228½	242
17	17½	17½	73	74	78	124½	125½	133	176½	177½	188	228½	229½	243
17½	18	18	74	74½	79	125½	126½	134	177½	178½	189	229½	230½	244
18	18½	18½	74½	75½	80	126½	127½	135	178½	179½	190	230½	231½	245
18½	19	19	75½	76½	81	127½	128½	136	179½	180½	191	231½	232½	246
19	19½	19½	76½	77½	82	128½	129½	137	180½	181½	192	232½	233	247
19½	20	20	77½	78½	83	129½	130½	138	181½	182½	193	233	234	248
20	20½	20½	78½	79½	84	130½	131½	139	182½	183	194	234	235	249
20½	21	21	79½	80½	85	131½	132½	140	183	184	195	235	236	250
21	21½	21½	80½	81½	86	132½	133	141	184	185	196	236	237	251
21½	22	22	81½	82½	87	133	134	142	185	186	197	237	238	252
22	22½	22½	82½	83	88	134	135	143	186	187	198	238	239	253
22½	23	23	83	84	89	135	136	144	187	188	199	239	240	254
23	23½	23½	84	85	90	136	137	145	188	189	200	240	241	255
23½	24	24	85	86	91	137	138	146	189	190	201	241	242	257
24	24½	24½	86	87	92	138	139	147	190	191	202	242	243	258
24½	25	25	87	88	93	139	140	148	191	191½	203	243	244	259
25	25½	25½	88	89	94	140	141	149	191½	192½	204	244	245	260
25½	26	26	89	90	95	141	141½	150	192½	193½	205	245	246	261
26	26½	26½	90	91	96	141½	142½	151	193½	194½	206	246	247	262
26½	27	27	91	91½	97	142½	143½	152	194½	195½	207	247	248	263

N.C. - No change.

TABLE NO. II
(Three Per Cent Table)

COL. A		COL. B	COL. A		COL. B	COL. A		COL. B	COL. A		COL. B	COL. A		COL. B
Over	Not Over		Over	Not Over		Over	Not Over		Over	Not Over		Over	Not Over	
0	4	N.C.	49½	50½	52	103	104	107	156½	157½	162	210	211	217
4	4½	4½	50½	51½	53	104	105	108	157½	158½	163	211	212	218
4½	4½	4½	51½	52½	54	105	106	109	158½	159½	164	212	213	219
4½	4½	5	52½	53½	55	106	107	110	159½	160½	165	213	214	220
4½	5½	5½	53½	54½	56	107	108	111	160½	161½	166	214	215	221
5½	6	6	54½	55½	57	108	109	112	161½	162½	167	215	216	222
6	6½	6½	55½	56½	58	109	110	113	162½	163½	168	216	216½	223
6½	7	7	56½	57½	59	110	111	114	163½	164½	169	216½	217½	224
7	7½	7½	57½	58½	60	111	112	115	164½	165½	170	217	218	225
7½	8	8	58½	59½	61	112	113	116	165½	166½	171	218	219	226
8	8½	9	59½	60½	62	113	114	117	166½	167	172	219	220	227
8½	9	9½	60½	61½	63	114	115	118	167	168	173	220	221	228
9	9½	10	61½	62½	64	115	116	119	168	169	174	221	222	229
9½	10	10½	62½	63½	65	116	116½	120	169	170	175	222	223	230
10	11	11	63½	64½	66	116½	117½	121	170	171	176	223	224	231
11	12	12	64½	65½	67	117½	118½	122	171	172	177	224	225	232
12	13	13	65½	66½	68	118½	119½	123	172	173	178	225	226	233
13	14	14	66½	67	69	119½	120½	124	173	174	179	226	227	234
14	15	15	67	68	70	120½	121½	125	174	175	180	227	228	235
15	16	16	68	69	71	121½	122½	126	175	176	181	228	229	236
16	16½	17	69	70	72	122½	123½	127	176	177	182	229	230	237
16½	17½	18	70	71	73	123½	124½	128	177	178	183	230	231	238
17½	18½	19	71	72	74	124½	125½	129	178	179	184	231	232	239
18½	19½	20	72	73	75	125½	126½	130	179	180	185	232	233	240
19½	20½	21	73	74	76	126½	127½	131	180	181	186	233	234	241
20½	21½	22	74	75	77	127½	128½	132	181	182	187	234	235	242
21½	22½	23	75	76	78	128½	129½	133	182	183	188	235	236	243
22½	23½	24	76	77	79	129½	130½	134	183	183½	189	236	237	244
23½	24½	25	77	78	80	130½	131½	135	183½	184½	190	237	238	245
24½	25½	26	78	79	81	131½	132½	136	184½	185½	191	238	239	246
25½	26½	27	79	80	82	132½	133	137	185½	186½	192	239	240	247
26½	27½	28	80	81	83	133	134	138	186½	187½	193	240	241	248
27½	28½	29	81	82	84	134	135	139	187½	188½	194	241	242	249
28½	29½	30	82	83	85	135	136	140	188½	189½	195	242	243	250
29½	30½	31	83	83½	86	136	137	141	189½	190½	196	243	244	251
30½	31½	32	83½	84½	87	137	138	142	190½	191½	197	244	245	252
31½	32½	33	84½	85½	88	138	139	143	191½	192½	198	245	246	253
32½	33	34	85½	86½	89	139	140	144	192½	193½	199	246	247	254
33	34	35	86½	87½	90	140	141	145	193½	194½	200	247	248	255
34	35	36	87½	88½	91	141	142	146	194½	195½	201	248	249	256
35	36	37	88½	89½	92	142	143	147	195½	196½	202			
36	37	38	89½	90½	93	143	144	148	196½	197½	203			
37	38	39	90½	91½	94	144	145	149	197½	198½	204			
38	39	40	91½	92½	95	145	146	150	198½	199½	205			
39	40	41	92½	93½	96	146	147	151	199½	200	206			
40	41	42	93½	94½	97	147	148	152	200	201	207			
41	42	43	94½	95½	98	148	149	153	201	202	208			
42	43	44	95½	96½	99	149	149½	154	202	203	209			
43	44	45	96½	97½	100	149½	150½	155	203	204	210			
44	45	46	97½	98½	101	150½	151½	156	204	205	211			
45	46	47	98½	99½	102	151½	152½	157	205	206	212			
46	47	48	99½	100	103	152½	153½	158	206	207	213			
47	48	49	100	101	104	153½	154½	159	207	208	214			
48	49	50	101	102	105	154½	155½	160	208	209	215			
49	49½	51	102	103	106	155½	156½	161	209	210	216			

N.C. - No change.

APPENDIX "B"

Rates published by highway common carriers and express corporations for the transportation of the commodities named below, for which rates have not been heretofore established by the Commission, may be increased by amounts not to exceed the percentages shown in Column 1 or in Column 2.

Column 1 rate increases may be applied to class or commodity rates subject to minimum weights of less than 20,000 pounds.

Column 2 rate increases may be applied to class or commodity rates subject to minimum weights of 20,000 pounds or greater.

Description of Commodity	Column 1	Column 2
Accessories, motion picture	6%	6%
Automobiles, set up	6%	6%
Baggage	6%	6%
Butter, dairy	6%	3%
Buttermilk, liquid	6%	3%
Carriers (used packages), empty returning or forwarded for return loads	6%	6%
Cement, portland (building)	6%	6%
Cement Clinker	6%	6%
Cheese (including cottage cheese and pot cheese)	6%	6%
Cotton	3%	3%
Cream	6%	3%
Directories, telephone	6%	6%
Eggs in the shell	6%	3%
Fertilizers	6%	6%
Film, motion picture	6%	6%
Fodder, bean, cane, corn or pea	6%	3%
Fruit, dried, unmanufactured and unprocessed	6%	6%
Fruit, fresh (except coconuts, figs and pineapples)	6%	3%
Fruit, fresh, viz.: coconuts, figs and pineapples	6%	6%
Fungicides, agricultural	6%	6%
Hops	6%	3%

	Column 1	Column 2
Ice Cream Mix, unflavored	6%	6%
Insecticides, agricultural	6%	6%
Leaves, cactus, dried	6%	3%
Logs (wood)	6%	6%
Margarine	6%	3%
Milk, liquid	6%	3%
Newspapers (not scrap or waste)	6%	6%
Nuts, edible, in the shell (except peanuts)	6%	6%
Peanuts in the shell	6%	3%
Pits, fruit	6%	6%
Poultry, live or dressed	6%	3%
Sea Shells, crushed, ground, powdered or disintegrated	6%	6%
Seed, cotton	6%	3%
Seeds (except cotton)	6%	6%
Shell Marl, crushed, ground or powdered	6%	6%
Straw	6%	3%
Sulphur	6%	6%
Vegetables, fresh	6%	3%
Vegetables, dried, viz.:		
Beans (except cocoa, vanilla, castor, honey, mex vomica, Tahiti or tonka)	6%	3%
Beans, viz.: cocoa, vanilla, castor, honey, mex vomica, Tahiti and tonka	6%	6%
Lentils	6%	3%
Onions	6%	3%
Peas	6%	3%
Pepper Pods	6%	3%
Voting Booths, Ballot Boxes, Election Tents and Election Supplies	6%	6%

DISPOSITION OF FRACTIONS

In connection with rates of 5 cents or less the increased rate shall be computed to the nearest quarter cent; when rates are higher than 5 cents but not higher than 10 cents, the increased rate shall be computed to the nearest half-cent; when rates are higher than 10 cents, fractions of less than one-half cent shall be dropped and fractions of one-half cent or greater shall be increased to the next whole cent.