

Southwestern industry is carrying a freight-rate handicap of 75% for the benefit of Northern interests! Wake up—

We're Being Cheated

By Congressman Ed Gossett

PEOPLE OF THE Southwest have not yet waked up to the extent of freight-rate discrimination against the Southwest and the devastating results of that discrimination on the general development of the region. When they do wake up, something can and will be done to eliminate the inequalities, but it is disconcerting to those who have fought for equalization to find that even groups of Southwesterners—for unknown reasons—are willing to defend a system that is strangling our economic future.

Here are the inequalities and the results. The facts, drawn from official surveys of the actual situation, are not open to serious question. They come from the Tennessee Valley Authority report of 1937 (House Document 264 of the 75th Congress) and from the studies made by the Board of Investigation and Research set up by Congress in 1940 (House Documents 145 and 303 of the 78th Congress). All the data were checked, after exhaustive study and research, by transportation experts.

First, the situation in its broadest outlines. The United States is divided into five freight-rate zones:

1. The Eastern or Official Zone, composed of the states east of the Mississippi River and north of the Ohio. This being the Official Zone, we can take its rate as a yardstick and—

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Reports of the Supreme Court's recent action accepting Georgia's complaint against twenty railroads may have misled the public. The Court—by a vote of five to four—accepted the case "only in a preliminary manner," and what its decision will be remains to be seen. The issue is not, and cannot be, settled until effective action is taken to eliminate the injustice done to all the states now discriminated against.

for purposes of comparison—designate its freight rate as 100.

2. The Southern Zone, consisting of the states east of the Mississippi and south of the Ohio. Here, measured by the yardstick of the Official Zone, the rate is 139.

3. The Western Trunk Line Zone, including the states north of Oklahoma and Arkansas, west of the Mississippi River and east of Montana, through the middle of Wyoming and Colorado. Here the rate is 147.

4. The Southwestern Zone, composed of Texas, Oklahoma, Arkansas, Louisiana, and a portion of New Mexico. Here the rate is 175.

5. Last, the Mountain Pacific Zone, including those states west of the two zones last named. Here the rate is 171.

The reader will note that *rates are highest in Texas and the other states of the Southwestern Zone*. These states are handicapped by class rates approximately 75 per cent higher than those of the northeastern states of the Official Zone. The figures given are taken from the T.V.A. freight map. They rep-

resent the general differentials in class rates as distinguished from commodity rates. Class rates cover thousands of separate items and apply to practically all articles of freight. A commodity rate is an exception made to the class rate. It is a preferential rate given to a particular commodity usually handled by a particular shipper or industry. The rate experts, the freight bureaus, the railroad lawyers, and the defenders of existing discriminations and inequalities will immediately tell you that most Southwestern freight is moved on commodity rates and therefore class-rate differentials are inconsequential. *But thousands of items would be shipped in volume from the Southwest if the discrimination in class rates did not exist.* If we had the same rates as the Official Zone, we would produce the goods.

A few facts and figures may be illuminating. To ship cotton clothing from New York to Peoria, Ill., a distance of 988 miles, the cost is \$1.25 per 100 pounds; but to ship the same goods from Wichita Falls, Texas, to Peoria, a distance of 980 miles, the cost is \$2.11 per 100 pounds. To ship refrigerators in carload lots from Pittsburgh, Pa., to Cairo, Ill., a distance of 640 miles, the cost is \$140.40; to ship the same refrigerators from Fort Worth, Texas, to Cairo, Ill., a distance of 630 miles, the cost is \$176.40. To ship a carload of cotton piece goods from Boston, Mass., to St. Louis, Mo., a distance of 1,074 miles, costs \$254.40, while to ship the same goods from Dallas, Texas, to Columbus, Ohio, a distance of 1,039 miles, costs \$351.60.

The first-class rate from San Antonio to St. Louis is \$2.79 per 100 pounds. The distance is 925 miles and about 125 miles shorter than the distance from New York to St. Louis, which is 1,053 miles. The first-class rate from New York to St. Louis, however, is only \$1.84 per 100 pounds, or 95 cents less than from San Antonio to St. Louis. Similar disparities and discriminations exist from all other points in the Southwest unless affected by water rates.

A comparison of figures on income and production between the Official Zone and the Southwestern Zone shows the results graphically. The five Southwestern states, Louisiana, Arkansas, Oklahoma, New Mexico, and Texas, comprise roughly 18 per cent of the

area of the United States. The states of the Official Zone comprise roughly 15 per cent. In the 40-year period from 1899 to 1939, the value of manufactured products in the Official Zone rose from \$9,032,000,000 to \$41,143,000,000, an increase of 32 billion dollars. In the same period, the number of manufacturing wage earners in that zone grew from 3,750,000 to 5,793,000, an increase of more than two million.

During this same period, the value of manufactured products in the five states of the Southwestern Zone increased from \$256,000,000 to \$2,593,000,000; and the number of manufacturing wage earners increased from 115,878 to 265,446. The growth of manufacturing in the Southwest was two and a quarter billions, as compared with a growth of 32 billions in the East. Wage earners in the Southwest increased 150,000 only, as against two million in the East.

A comparison of the climate, labor, and other resources of these two sections cannot justify this disparity of industrial growth. I venture to say that Texas alone has almost as much undeveloped natural resources as all the states of the Official Zone put together. Yet many of the best young men of the Southwest migrate in increasing numbers to the industrial northeast. This situation is a result largely of discriminatory freight rates, which have suppressed and will continue to suppress the industrial growth of the Southwest.

All of the stock arguments used by those who seek to perpetuate existing freight-rate discriminations can be or have been successfully exploded. Until lately, the railroads have made much of the allegation that it costs more to move traffic in the Southwest than in the low-rate Official Zone. Recent scientific studies disclose the reverse to be true. Existing discriminations cannot be justified by the cost of freight movement, or by the volume of freight movement, or by the density of traffic, or on any other sound basis.

And still the freight-rate picture grows worse instead of better. The railroads and those interested with them are succeeding in their efforts to eliminate competition. In 1935, motor carriers were placed under the Interstate Commerce Commission. In 1940, water carriers were placed under the I.C.C., with the specific understanding that competition

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would not be eliminated. On June 14, 1943, however, the Supreme Court in the case of I.C.C. and Baltimore and Ohio Railroad Company, appellants, *vs.* Inland Waterways Corporation, *et al.* [319 U. S. 671] sustained the railroad's power to suppress water competition. This case held the roads had power to impose a higher freight rate on traffic moved by water than on traffic moved by rail. The B. & O. Railroad in this case imposed a higher freight rate on grain which was shipped into Chicago by barge than on grain shipped into Chicago by rail. The purpose and ultimate result of such action is obvious.

Furthermore, when freight rates have been increased from time to time, the I.C.C. has approved a simple formula which increased, rather than decreased, existing discriminations. They simply authorized a blanket percentage increase of 5 or 10 or some other per cent. When rail revenues fall off after the war, a blanket increase in freight rates may be authorized again, probably in the amount of 10 per cent. As this increases the rates 10 cents in the Official Zone, it will increase the rate approximately 17½ cents in the Southwestern Zone. Instead of using such an opportunity to partially equalize freight rates, the I.C.C. simply takes the easy way out, and further aggravates the situation.

What, you may ask, can be done to correct this? A little history will show the barriers in the way of obtaining relief. The Interstate Commerce Commission was created by Act of Congress in 1887. It was an independent agency, charged with the duty of serving the public welfare in the matter of transportation, primarily railroad transportation. It was obviously the intent of Congress that the I.C.C. should initiate reforms where needed or justified. However, the I.C.C. soon wrapped itself in judicial robes and became, in effect, a railroad court, a quasi-judicial tribunal.

In its annual report for 1940, the I.C.C.

specifically rejected a suggestion of the Attorney General's Department that it act as an informal administrative agency. Said the I.C.C. in this report, "We have not been able to accept the suggestion in the monograph that many of our functions could be best performed by following the technique of investigation familiar to the practice of the committees of Congress, rather than by conducting hearings of a public character. We consider ourselves bound by the requirement of judicial decisions of our highest court defining the statutory terms 'hearing' and 'full hearing'."

The only road open to reform, therefore, is through an act of Congress. Such an act should specifically order the I.C.C. to equalize freight rates, and to remove all existing discriminations within a stated time, certain economic factors being taken into consideration. Bills to this effect have been introduced from time to time, and several are now pending.

In 1895 the House of Representatives passed a resolution demanding equalization of freight classifications. The Senate failed to act. Some years later, the Senate passed a bill demanding similar equalization of freight classifications. The House failed to act. In 1919 the Director General of Railroads appointed a board for this purpose. Before anything happened, the railroads were returned to private ownership.

The reasons why freight rate reform seems impossible to obtain are many. Primarily, reformers are defeated by a shrewd, well-organized, well-financed lobby maintained by the 24-billion-dollar railroad industry, and those who profit from the economic advantages of the present rate structure. Freight bureaus, rate experts, and able lawyers maintain a solid and continuous front against change. Delay, confuse, divide and conquer, are familiar techniques to this fraternity. On the other hand, the proponents of reform are disorgan-

ized laymen who have no effective, co-ordinated, or continuous organization.

The so-called Southern Governors class-rate case, now pending, is an illustration in point. This case was started in 1939, seeking freight-rate equalization in certain particulars. The Southern governors gave a big banquet in Washington in January, 1944, at which Southern Congressmen were invited guests. Here the governors bragged of their progress, and in effect asked Congress to defer action on pending legislation, since they, the governors, were going to secure a favorable decision in their pending case. The case has not yet been decided. When decided, it will doubtless be appealed. In the meantime the issues will be changed, or other action taken, which will render moot any final decision, or any relief obtained.

Again, when Congress is about to act, supposedly disinterested agencies start campaigns of obstruction and opposition. The railroads go to holders of preferential commodity rates in the Southwestern Zone and have them write alarming letters to their Congressmen, asking that the *status quo* be not disturbed, else they may lose their favorable commodity rate. Chambers of commerce and other agencies are inveigled into the fight against reform.

In the last session of Congress, when it seemed that legislation might be initiated, the Traffic Committee of the United States Chamber of Commerce, composed of big shippers with preferential rates, put out a leaflet condemning all bills pending in the Congress, and giving them a supposed kiss of death by labeling them "legislative rate making." Said the United States Chamber of Commerce, "Let the I.C.C. do it." They ignored the fact that the I.C.C. could not do it under its own construction of its powers. They ignored the fact that 99 per cent of all rates are, in effect, established by the railroads, whereas the I.C.C. actually intervenes in only about 1 per cent of the rate-making cases.

Even smaller chambers of commerce fell into line. For example, on February 15, 1944, the Tyler, Texas, Chamber of Commerce unanimously adopted a resolution condemning the efforts of Congress to secure freight-rate equalization, and wrote letters, with cop-

ies of the resolution attached, to all members of Congress from Texas. It would be interesting to know what influences brought about this action against the best interests of the people of the Southwest.

Bear in mind that a fight for economic justice for the great Southwest is not a fight against railroads. Freight-rate equalization can be obtained by raising freight rates in certain zones as well as by lowering them in other zones. Freight-rate equality could be obtained and yet railroad revenues be increased. Freight-rate equality would certainly be financially beneficial to both the labor and management of railroads in the Southwest.

Because of the war boom in industry, some people think the Southwest is now about to experience great industrial expansion. This is not the case. Industrial development in the Southwest has been and will continue to be held back by freight-rate discrimination. It is no mere accident that more than 80 per cent of all war industry has been located in the states of the industrial northeast, within the Official Zone. *The drying-up of war industries will occur first in the zone of highest freight rates—the Southwestern Zone, of which Texas is the heart.*

Here are a few suggestions. The Interstate Commerce Committees of Congress are made up of laymen who have no expert assistance or advice. These committees should be authorized to employ full-time, expert counsel in the matter of transportation rates and problems. Also, a Bureau of Investigation and Research, similar to that given temporary life in the Transportation Act of 1940, should be made a permanent agency as a means of combatting and double-checking, to some extent, the powerful railroad lobby. Further, the public should have expert counsel and representation before the I.C.C., particularly so long as it retains its quasi-judicial status and remains, in effect, a court. Finally, Congress should pass legislation requiring the I.C.C. to remove all possible freight-rate inequalities and discriminations within a fixed period of time.

We accept as a fundamental basis of American democracy the premise that all men are entitled to equality of economic opportunity. The freight-rate structure of this country makes a mockery of this principle.