

## THE RATE STRUCTURE

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The transportation rate structure is typical more or less of price structures prevailing generally throughout modern large-scale industries. The dominant characteristics of such price structures are: the existence side by side of many different classes, groups, and sub-groups of prices within the same industry, a complicated pattern of price differentials both between and within such groups of prices, and a considerable rigidity of most of the prices and price relationships. Price behavior in such industries does not conform very closely to the old familiar conceptions of pure competitive determination; competitive forces are primarily monopolistic, oligopolistic, or absent; prices may be said to be "administered," if that term is understood to be used in a very broad sense. Various rules and devices, some of which are quite complicated, are employed as aids in setting prices. It is often asserted that these rules rest upon basic principles; but when such principles are subjected to scrutiny they are found frequently to be vague in meaning, or even self-contradictory. Investigators of these price behaviors have made considerable headway in recent years; yet much remains to be done before a satisfactory understanding of all the complicated price-determining forces is achieved. More data must be collected, and better methods of collecting and sampling data must be devised in many cases. In the field of transportation, though the volume of collected information exceeds, probably, that on any other industry, our knowledge of actual rates is very incomplete.<sup>1</sup>

The transportation rate structure, while resembling the general pattern of modern industrial prices, exhibits important features of its own. These singular characteristics result, in part, from distinctive factors within the industry, and, in part, from public interference.

First, with respect to the nature of the industry itself, it should be noted that the article produced is a service. This service is the moving of commodities and persons. Now the moving of matter is, in the abstract, a rather simple function, and it might appear that such a service could be readily divided into equal, homogeneous units, and so marketed. But actually such is not the case. The railroads transport some twenty-five thousand different articles. Most of this large number are carried in several different forms and unit sizes. Almost every one of these articles possesses

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<sup>1</sup> The Bureau of Transport Economics and Statistics of the Interstate Commerce Commission has set up a continuing program of actual rate studies in all fields of transportation which should supply much of the needed quantitative information.

individual characteristics which in some degree determine the character of the service rendered to it. Distances of haul vary widely, and distance is not a homogeneous factor: longer distances are not simply multiples of shorter ones. Topography strongly influences transportation, and topographical conditions vary greatly. Varying percentages of idle capacity, in different areas and periods of time, affect both the costs and the character of service, as do different scales of physical operations. Forms and degrees of monopoly and competition, both among transportation agencies and among the industries served, vary so widely that generalizations in these respects are likely to possess limited validity. Summary figures of ton-miles of service, therefore, imply a homogeneity which does not exist. The "commodity" of transportation tends to become differentiated by the infinite variety of goods transported and the many different conditions under which the services are rendered. No other industry directly serves so high a proportion of the productive activities of the nation, nor operates under so wide a range of physical, social, and technological conditions. Therefore it can be maintained, with some reason, that the transportation industry actually sells more different commodities than any other industry.

It would be logical to expect, in view of what has been pointed out above about the nature of the industry, that transportation would present the widest variation in prices among large-scale industries. At times this has probably been the case, but it is doubtful whether it is true today. The natural tendency toward a complexity of rates, that is always likely to lead ultimately to utter confusion, has compelled transportation agencies to group and standardize their prices in probably greater degree, relatively speaking, than has been found necessary in most large-scale, inflexible-cost industries. Class rates represent the highest degree of uniformity: most of the twenty-five thousand different commodities have been classified into some seven to twelve classes; rates are charged only upon these classes, and all of the class rates are calculated from some four or five basic rate scales. Though less standardized, the commodity rates seldom apply to single commodities, nor to single distances; rather they usually include large generic groups of commodities, and apply to extensive areas of the United States. Fixed differentials are adopted for both class and commodity rates, whereby a single key rate automatically establishes all rates within the structure: the first-class rate scale supplies the key rate for all of the class rates; and usually a key rate between the chief producing area and the principal market controls the pattern of a commodity rate group. Distance relationships are standardized by area groupings and mileage scales and by standard rules for constructing mileage. Differences of density, scale, and physical conditions of operation are standardized for rate-making purposes into such differentials as single-line, joint-line, and local rates, and scales of arbitraries. Thus a change in a railroad rate usually involves a change in a class, a scale, a commodity group, a general rule, or some other general relationship rather than simply an alteration in a particular rate *per se*; and most major rate changes today involve innumerable shipments and a complexity of relationships that can be dealt with only by standardized patterns of rate making. The

broadest aspects of regularization, to date, probably, are the considerable unification of rate-making patterns and procedures within the three major geographical regions of the United States—North, South, and West—and the observance of certain standard rules and key relationships in fixing rates on interterritorial shipments.

The influence of public regulation has resulted, undoubtedly, in greater simplicity and uniformity of the rate structure than would have been the case had it been lacking. The Interstate Commerce Commission has secured the adoption of standardized rules, procedures, and principles of rate making; it has brought about uniformity in the construction of distance scales and class differentials; it has established the limits—broadly speaking—of various rate levels for both class and commodity rates. In the recent *Class Rate Decision*,<sup>2</sup> the Commission's policy of uniformity has been carried to its greatest lengths. While it is still true that private transportation agencies initiate most rates and rate changes, nevertheless all such actions are taken subject to the limits of policy defined by the Commission.

Studies of the rate structure may have two broad objectives: (a) to ascertain what are the relative rate levels with respect to regions, industries, or types of commodities, and (b) to establish bases for comparisons of the prices of transportation with the prices of other goods or with prices in general. Since inquiry in this symposium is directed to certain aspects of relative rate levels, information presented in this paper will be limited to the first of these two general questions. Any study of relative rates requires some understanding of the mechanics of the rate structure.

TABLE I  
MAJOR RAILROAD CLASSIFICATIONS<sup>a</sup>

Percentage of Class 100	REGULAR CLASS DESIGNATION			
	Official	Southern	Western	
			Western Trunk-line and Southwestern	Mountain- Pacific
100.....	1	1	1	1
85.....	2	2	2	2
70.....	3	3	3	3
60.....	—	—	—	4
55.....	R26	4	4	—
50.....	4	—	—	5, A
45.....	—	5	A	—
40.....	—	6	—	B
37½.....	—	—	5	—
35.....	5	7	—	—
32½.....	—	—	B	—
30.....	—	8	C	C
27½.....	6	—	—	—
25.....	—	9	—	D
22½.....	—	10	D	—
20.....	—	11	—	E
17½.....	—	12	E	—

<sup>a</sup> Reproduced from *Class Rate Investigation, 1939*, 262 I.C.C. 447, 467 (1945).

<sup>2</sup> 262 I. C. C. 447 (1945).

Comparisons of rate levels must take cognizance of differences in the construction of rate scales, rate groups, and differentials.

The mechanics of the rate structure has three basic characteristics: (a) the area within which the published rates apply, (b) the pattern for determining the shipments upon which any given published rate applies, and (c) the formula or pattern by which rates are calculated. These three aspects are indicated in Tables 1, 2, and 3. All of the tables distinguish the three major rate-making territories, and also the

TABLE 2

INTRATERRITORIAL CLASS I RATE SCALES (CENTS PER 100 POUNDS)<sup>a</sup>

Distance in miles	5	50	100	200	300	400	500	600	800	1000	1250	1500
Official.....	33	47	62	80	96	109	122	135	160	182	209	237
Southern.....	37	62	84	112	134	156	173	189	222	240	282	315
Western Trunk-line...	35	53	73	97	117	136	156	176	210	240	277	315
Southwestern..	40	65	90	123	147	172	196	220	263	300	348	394

<sup>a</sup> 262 I.C.C. 447, 744 (1945) Appendix 8. Certain important sub-zones are omitted. New England sub-zone in official territory and Zone II in western trunk-line territory have scales higher than those of their respective territories shown above. Zone III scale in western trunk-line territory is the same as that of southwestern territory. The southern border area scale is lower than the southern scale up to 200 miles, the same for longer distances up to 400 miles, and then slightly higher up to 620 miles where it ends.

three principal divisions of the very large western territory.<sup>3</sup> Table 3 reveals that territorial rate groupings are of two types, namely: intraterritorial, or rates on shipments within a single territory, of which there are five major groups; and interterritorial, or rates on shipments between territories, of which there are twenty major groups.

Table 3 also shows the second general characteristic of the rate structure: that it is actually divided, in all territories, into three different types of rates. These types are basically two: class rates and commodity rates. Exception rates are allowed departures from the class rates on specified commodity shipments, such departures being effected by transfers from one standard class to another or to a different percentage of the first-class rate, or by some modification of the rules regarding shipments on class rates; they are similar to commodity rates in that they are essentially special rates, but they remain tied to the class-rate structure through the continued employment of the class-rate mechanism. Nearly every article produced in the United States is classified for rate-making purposes in each of the major rate territories, and therefore nominally has a class rate anywhere in the United States; but if any other rate is published it, rather than the class rate, will normally apply on the specified shipment. Such a rate would be known as a commodity rate and would be the actual, or effective, rate. Inspection of Table 3 reveals that a traffic count made in 1942 indicated that 85 per cent, in bulk, of American railway freight traffic moved

<sup>3</sup> Western territory might well be considered to comprise three major territories so far as operating conditions and levels of rates are concerned.

TABLE 3

ALL CARLOAD TRAFFIC TRANSPORTED ON SEPTEMBER 23, 1942<sup>a</sup>

Territory, or Territories	PER CENT OF CARLOADS		
	Class Rates	Exception Rates	Commodity Rates
United States.....	4.1	10.7	85.2
Intraterritorial:			
Official, or eastern.....	5.8	17.6	76.7
Southern.....	1.8	6.0	92.2
Western trunk-line.....	.6	.2	99.2
Southwestern.....	2.4	4.4	93.2
Mountain-Pacific.....	1.7	.0 <sup>b</sup>	99.7
Interterritorial:			
Official to southern.....	12.6	36.3	51.1
Official to western trunk-line.....	12.3	35.4	52.3
Official to Southwestern.....	22.5	52.0	25.5
Official to mountain-Pacific.....	11.3	.0 <sup>b</sup>	88.7
Southern to official.....	.9	4.9	94.2
Southern to western trunk-line.....	1.5	13.5	85.0
Southern to southwestern.....	6.1	22.1	71.8
Southern to mountain-Pacific.....	4.1	4.9	91.0
Western trunk-line to official.....	3.1	1.0	95.9
Western trunk-line to southern.....	6.1	3.1	90.8
Western trunk-line to southwestern.....	13.0	6.2	80.8
Western trunk-line to mountain-Pacific.....	2.6	.0	97.4
Southwestern to official.....	1.5	3.4	95.9
Southwestern to southern.....	1.2	4.3	94.5
Southwestern to western trunk-line.....	2.0	3.0	95.0
Southwestern to mountain-Pacific.....	3.9	.0	96.1
Mountain-Pacific to official.....	0.7	.0	99.3
Mountain-Pacific to southern.....	1.5	.0	98.5
Mountain-Pacific to western trunk-line.....	0.7	.0	99.3
Mountain-Pacific to southwestern.....	2.1	.0	97.1

<sup>a</sup> 262 I.C.C. 479, 564 (1945). The data were collected and analyzed, and the above percentages were computed, by the Commission's Bureau of Transport Economics and Statistics with the aid of its Bureau of Traffic. Railroad waybills constituted the primary source of the data.

<sup>b</sup> Less than 0.05 per cent.

on commodity rates, and that class rates with few exceptions moved insignificant amounts of the traffic outside of official territory and shipments outbound from official territory. It should be pointed out also that the territorial divisions discussed in the preceding paragraph refer mainly to the class-rate structure. Commodity rates are usually built up into separate group patterns formed around generic groups of products. The same group may have separate rate structures for different geographic areas and transportation routes. Raw materials which are locally produced and processed, and therefore are moved for short distances only, may have many different commodity-rate structures in each of the major class-rate territories; on the other hand, California citrus fruit and West Coast lumber have commodity-rate structures embracing the entire United States, which ignore major class-rate territories almost entirely. Though many of the influences which have resulted in the differentiated

territorial structure of class rates have also operated in the construction of commodity rates, by and large each commodity-rate structure evolves its own effective rate territory, and there is no over-all uniformity whatsoever of commodity-rate territories.

An extended discussion of the third aspect of the rate structure—the technical construction of rates—would not serve the main purpose of this discussion. Tables 1 and 2 afford some general idea of how present intraterritorial class rates are constructed. Table 1 indicates the number of classes in each territory and how they are symbolized; Table 2 presents a skeleton of the class 1 mileage scales which are used in the various regions; and the left-hand column of Table 1 indicates the percentage intervals that are used in determining the rates of all of the classes from the class 1 scale. Interterritorial rate mechanisms are similar in general to the intraterritorial ones, though the problems of classification require a variety of special rules, and the mileage scales are based on somewhat different principles. The Interstate Commerce Commission, in a long series of class rate investigations since World War I, has brought about the universal use of distance scales for class rates, and has greatly reduced the differences between them; nevertheless, they still vary rather widely as to contour and level of rates. In the recent general *Class Rate Investigation* the Commission prescribed a uniform classification for the entire United States and a single maximum mileage scale for all of the United States except mountain-Pacific territory.

Many different patterns are used in constructing commodity rates. The simplest, probably, are individual point-to-point rates. Some use is made of individual mileage scales; if such scales are employed for a fairly complex group, differentials may be used, so that the resulting group rate structure may resemble somewhat a class-rate structure limited to one type of commodity. Territorial first-class rate scales have even been adopted as a basis for constructing some commodity rates; this is particularly true in the South, where they have become known as column rates, since they use some percentage of the class 1 rate. Proportional rates are a common device where interterritorial shipments are involved. Basic key rates play the dominant role in the establishment of most long-distance commodity rates. Taken as a whole, especially for longer hauls, the predominant type of commodity rate is the group rate.

Coming now to the fundamental problem of relative rate levels, several perplexing questions first arise as to the significance and treatment of data. Price levels are commonly represented as percentages of some base group of prices; and they are calculated usually from actual prices which in turn are weighted by the amounts of goods exchanged at such prices within a given time period. Rate levels, on the other hand, have seldom been computed in this fashion; they have been computed from the *published* rates, rather than from actual rates charged upon shipments. Consequently, a rate upon which nothing has moved has exercised the same weight as one upon which goods have been shipped. The published rates which have been used almost invariably have been the class rates, upon which less than 5 per cent of the traffic moves; while commodity rates, which move 85 per cent, have been

omitted. Actual rates are very difficult to determine except by extensive waybill studies. Even then the calculation of actual revenue rate levels would require many adjustments for differences in services, conditions, and consists of traffic among the various territories.

Rates within official territory are generally used as the base, or 100 per cent level, for comparisons of rate levels among the various territories. Various levels of published rates—primarily those in which the southern states are concerned—are indicated in Tables 4 to 8, inclusive.<sup>4</sup> These are typical of relative levels in general.

TABLE 4

INTRATERRITORIAL CLASS I RATE SCALES AS PERCENTAGES OF OFFICIAL TERRITORY SCALE

Distance in miles	50	100	200	300	400	500	600	800	1000	1250	1500	Average
Official.....	100	100	100	100	100	100	100	100	100	100	100	100
Southern.....	121	127	140	140	143	142	140	139	137	135	133	136
Western trunk- line.....	113	118	121	122	125	128	130	131	132	134	133	126
Southwestern.....	138	145	154	153	159	161	163	164	165	166	166	158

TABLE 5

INTERTERRITORIAL CLASS RATES BETWEEN EASTERN AND SOUTHERN CITIES EXPRESSED AS PERCENTAGES OF THE EASTERN CLASS RATE SCALE FOR EQUIVALENT DISTANCES

	Atlanta, Ga.	Charleston, S. C.	Jackson, Miss.	Jacksonville, Fla.	Johnson City, Tenn.	Memphis, Tenn.	Miami, Fla.	Montgomery, Ala.	Nashville, Tenn.	New Orleans, La.	Raleigh, N. C.	City Average
Baltimore, Md.....	132	130	133	127	103	131	136	131	137	130	115	128
Bangor, Me.....	114	110	115	112	106	116	122	115	121	114	112	114
Boston, Mass.....	118	115	120	117	103	120	125	119	123	118	108	117
Charleston, W. Va.....	143	139	141	138	109	133	148	140	141	137	116	135
Chicago, Ill.....	137	138	135	138	117	128	145	135	133	136	113	132
Dayton, O.....	143	139	135	142	123	128	149	141	138	140	114	136
Detroit, Mich.....	139	133	133	138	114	125	148	138	132	136	113	132
Montpelier, Vt.....	121	115	122	118	107	129	127	121	134	120	111	120
New York, N. Y.....	126	122	128	123	104	125	131	127	130	125	113	123
Pittsburgh, Pa.....	146	128	135	129	112	125	138	140	132	138	113	130
Richmond, Va.....	143	143	135	132	102	135	149	136	144	136	127	135
St. Louis, Mo.....	140	140	143	143	126	141	149	143	138	140	112	138
Syracuse, N. Y.....	125	122	129	123	105	125	132	128	125	127	111	123
Terre Haute, Ind.....	143	142	141	140	124	135	148	141	140	138	110	137
City Averages.....	133	129	132	130	111	128	139	132	133	131	113	
Total Average.....	...	...	...	...	...	...	...	...	...	...	...	128

<sup>4</sup> Tables 4-8 are reproduced by permission of the *Southern Economic Journal* from the author's article, *The Uniform Class Rate Decision and Its Implications for Southern Economic Development*, 12 *Sou. Econ. Jour.* 213 (1946).

Table 4 presents a comparison of the levels of the four major intraterritorial class 1 rate scales for various specified distances. The averages in the right-hand column are computed simply from the individual percentages in the table. Averages will vary slightly depending on the number and selection of points on the scales. If all points are included, the southern average would be 137.7 per cent of the official scale.<sup>5</sup> It should be noted that the levels within each territory vary considerably for different segments of their respective scales.

Tables 5 and 6 present similar comparisons of interterritorial class rates with rates for similar distances of the official intraterritorial class-rate scale. In calculating relative levels in these instances the interterritorial class rates and distances selected are those applying between representative major cities in the four territories. Inspection of the tables reveals that relative class-rate levels for particular distances vary much more widely in the case of interterritorial than in that of intraterritorial class rates. Variations in rates between southern- and official-territory cities range from the Raleigh-Boston rate, which is 3 per cent above official, to the Miami-Richmond and Miami-St. Louis rates, which are 49 per cent higher; the extremes are even wider in the case of southern-western interregional class rates. The variations are not uniform for like distances as in the case of the intraterritorial scales. The interterritorial class-rate scales have been constructed primarily upon a pattern of key rates between principal cities; these key rates reflect long-established competitive ad-

TABLE 6

INTERTERRITORIAL CLASS RATES BETWEEN SOUTHERN AND WESTERN CITIES EXPRESSED AS PERCENTAGES OF THE EASTERN CLASS RATE SCALE FOR EQUIVALENT DISTANCES

	Atlanta, Ga.	Charleston, S. C.	Jackson, Miss.	Jacksonville, Fla.	Johnson City, Tenn.	Miami, Fla.	Montgomery, Ala.	Nashville, Tenn.	Raleigh, N. C.	City Averages	Total Average
Western trunk-line:											
Cedar Rapids, Ia. . .	139	144	139	144	126	150	139	129	125	137	
Denver, Colo. . . . .	158	158	164	161	150	168	160	152	144	157	
Green Bay, Wis. . . .	138	139	135	141	127	149	134	127	117	135	
Kansas City, Mo. . .	140	144	157	148	139	160	147	136	128	143	
Minneapolis, Minn. .	140	141	140	143	134	153	141	132	129	139	
Wichita, Kan. . . . .	158	157	162	155	145	168	160	150	137	155	
City Averages. . . .	145	147	150	149	137	153	147	137	130		144
Southwestern:											
Dallas, Tex. . . . .	160	158	161	159	163	165	161	162	157	161	
Houston, Tex. . . . .	157	156	157	155	159	166	157	160	156	158	
Little Rock, Ark. . .	153	153	153	155	158	161	151	148	151	154	
Okla. City, Okla. . .	156	157	161	158	159	165	159	155	147	157	
San Antonio, Tex. . .	160	159	158	159	160	168	159	162	160	161	
Shreveport, La. . . .	155	156	151	154	159	163	154	157	156	156	
City Averages. . . .	157	156	157	157	160	165	157	157	154		158

<sup>5</sup> 262 I. C. C. 447, 592 (1945).



justments between producing and marketing centers and between alternative transportation routes, including water-competitive services.

Tables 7 and 8 attempt to present a comparison of the levels of southern and official commodity rates. The territorial groups compared are similar to the class-rate groups: first, Table 7 compares southern intraterritorial commodity rates with official intraterritorial commodity rates, and then Table 8 provides a comparison of

TABLE 7

RELATIVE LEVELS OF SOUTHERN INTRATERRITORIAL COMMODITY RATES<sup>a</sup>

Southern Commodities	Per cent of Official Commodity Rate Level
Brick.....	75-80 per cent of trunk-line; 90 per cent of central freight territory.
Coke.....	100 per cent; Alabama intrastate scale is lower.
Iron ore.....	Alabama intrastate scale is 79 per cent of official territory.
Iron and steel scrap.....	50,000 minimum: lower on 70-480 mile hauls, higher on others; 80,000 minimum: substantially lower on most hauls, 40-1,000 miles.
Pig iron.....	72 per cent.
Fertilizer and fertilizer materials.....	100 miles: <sup>b</sup> 48 per cent, 56 per cent; 200 miles: 65 per cent, 73 per cent; 300 miles: 93 per cent, 101 per cent.
Lime.....	100 miles: <sup>b</sup> 96 per cent, 102 per cent; 380 miles: 90 per cent, 99 per cent; 700 miles: 86 per cent, 97 per cent.
Logs.....	Considerable part of South: 100 per cent; elsewhere: 68-88 per cent.
Lumber.....	50 miles: 64 per cent; 100 miles: 68 per cent; 200 miles: 80 per cent; 300 miles: 86 per cent; 400 miles: 96 per cent; 600 miles and over: 100 per cent.
Pulpwood.....	200 miles: 57 per cent; 660 miles: 66 per cent.
Sand, gravel, crushed stone, and slag...	There are 3 scales in official territory. Southern scale is lower than 2 of them; is same as third for some distances, lower for others.
Sulphuric acid.....	70-75 per cent.

<sup>a</sup> 262 I.C.C., 447, 593-600 (1945).

<sup>b</sup> The first percentage figure for each distance refers to the trunk-line scale; the second refers to central freight territory scale.

southern interterritorial commodity rates with official intraterritorial rates on the same commodities. Adequate data are not available for the computation of any general commodity rate level. Even if data were readily available, the task would be a very difficult one. Individual commodity rate structures are innumerable and of very many different types. There may be several different ones for the same commodity in a single territory. Dissimilarities of service and consist are legion. These factors of difference are one of the chief justifications for commodity rates. No attempt, therefore, is made here to calculate or estimate general commodity rate levels. The tables present solely comparisons of individual scales and groups of commodity rates. Table 7 shows that rates for the principal raw materials and capital goods utilized in industry, construction, and agriculture average rather considerably lower on shipments within the South than in official territory. On articles shipped out of the South, Table 8 exhibits a wide range of commodity rate levels, with cigarettes, for example, paying 77 per cent of northern rates and steel bars and sheets

TABLE 8

RELATIVE LEVELS OF SOUTHERN INTERTERRITORIAL COMMODITY RATES\*

Commodities Shipped Between Southern and Official Territories	Per cent of Official Territory Rates on Same Commodity
Aluminum sheet and plate.....	92 per cent
Automobile tires.....	Some are lower; others are same
Bauxite.....	94 per cent
Boots and shoes.....	90 " "
Canning supplies: alum, turmeric, glass bottles and jars, metal covers, tops, and caps—to Faison, N. C.....	68.3-91.5 per cent
Cigarettes.....	77 per cent
Cigarette paper, L. C. L.....	90 " "
Smoking and chewing tobacco.....	97 " "
Shelled peanuts.....	95 " "
Bricks and clay products; distilled liquors; foundry products; hosiery; tanners' glue; stone, marble, and slate; lime; coke; sugar; coal and wood stoves, furnaces, heaters; gas stoves, furnaces, heaters; castiron pipe fittings, L. C. L.; iron body valves; brass pipe fittings; brass cocks and valves; soapstone and talc; enamelled iron and steel plumbers' goods; papeteries; ferromanganese; ferroalloys; unfinished aluminum, blanks, stampings, and shapes; asphalt, petroleum, coke; leather; pig-iron; aluminum pig or ingot; cast-iron pipe; cast-iron hardware; hydrants and fire plugs; upholstering fabric and trimming; cotton flannels or napped fabric; wooden automobile-body parts.....	100 per cent
Livestock.....	100-101 per cent
Green salted hides.....	101-106 " "
Unmanufactured tobacco.....	106 " "
Cottonseed.....	107 " "
Finished cotton piece goods.....	108-109 " "
Wood pulp, paperboard, paper boxes, pulpboard, paper bags and other paper articles.....	110 " "
Clay.....	112 " "
Hides.....	127 " "
Steel bars and sheets.....	129 " "
Cooking and salad oil.....	137 " "
China plumbers' goods.....	139 " "
Chinaware pottery; tractors.....	140 " "
Mechanic tools.....	151 " "
Asphalt paint.....	153 " "
Newsprint.....	159 " "

\* Class Rate Investigation, 1939, 262 I.C.C. 447, 601-604 (1945). The large number in the 100 per cent group results in the main from a considerable group of commodity rate cases recently decided by the Commission: American Distilling Co. v. Akron, C. & Y. Ry., 140 I.C.C. 633 (1928); Krupp Foundry Co. v. Southern Ry., 148 I.C.C. 743 (1928); Hosiery from Southern Points, 156 I.C.C. 117 (1929); Stone, Marble, and Slate from or to Southern Points, 183 I.C.C. 611 (1932); Muscle Shoals White Lime Co. v. Akron & B.B. R.R., 205 I.C.C. 273 (1934); Franzell v. Louisville & N. R.R., 215 I.C.C. 281 (1936); Sugar from Gulf Coast Port Groups to Northern Points, 234 I.C.C. 247 (1939); State of Alabama v. New York Central R.R., 235 I.C.C. 255 (1939); Alabama By-Products Corp. v. Ahapee & W. Ry., 256 I.C.C. 649 (1943).

paying 129 per cent of corresponding northern rates. Both are leading products of southern industry. Outbound rates on most of the principal southern manufactured products range between 90 and 110 per cent of corresponding northern rates.<sup>3</sup> The

<sup>3</sup> It should be pointed out that relatively higher outbound rates on such raw materials as unmanufactured tobacco, clay, and hides favor southern industry; and this is especially so when, as in these cases, the outbound rates on products manufactured from such raw materials are the same as or lower than northern rates.

evidence of the tables indicates that the general average of southern commodity rates differs only slightly from that for official territory.<sup>7</sup> The range of southern rates, however, is much wider; and so any "average" level of rates is not as representative as a corresponding average for official-territory rates.<sup>8</sup>

Can any estimates be made of relative levels which would include all types of published rates? The answer is doubtful. Any such calculation would probably be meaningless. The research bureau of the Interstate Commerce Commission has calculated the relative revenue levels of all rates for southern and official territories. These revenue levels are based on actual rates paid on total shipments in terms of revenue yields per ton-mile. These computations, adjusted for certain differences between territories, indicate that the level of all rates—class, exception, and commodity—actually paid on southern traffic ranges from 3 to 5 per cent above corresponding levels in official territory.<sup>9</sup>

The foregoing discussion is based upon the rate structure as it existed at the time of the *Class Rate Investigation*. Presumably it has remained substantially unchanged up to the present time. Any rate changes that have taken place have been general and have not affected the relative rate levels. The decision of the Commission in the *Class Rate Investigation*, announced in 1945, prescribed a policy of uniform class rates except for mountain-Pacific territory. Such a policy will require some years to put into effect. However, the Commission included an interim decision which required an increase of 10 per cent in official intraterritorial class rates and a decrease of 10 per cent in all others, to take effect on August 30, 1945. A subsequent petition in the federal courts by nine eastern states to have the decision set aside on the grounds of unreasonableness has just been decided by the Supreme Court.<sup>10</sup> While this litigation was pending the Commission's order was suspended; consequently no part of the decision has been put into effect as this is written.

<sup>7</sup> This conclusion appears to be corroborated by calculations of the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission as to relative freight revenue levels. 262 I. C. C. 447, 604-607 (1945).

<sup>8</sup> This is likewise true for comparisons of class-rate levels. The range of the southern class-rate structure is much wider than that of official territory.

<sup>9</sup> 262 I. C. C. 447, 604-607 (1945).

<sup>10</sup> See the FOREWORD to this symposium.