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Freight Weight Problems

Strom Thurmond

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My Fellow Governors:

I think it is quite fitting and timely that we are having today a round-table discussion of freight rate problems, and I sincerely trust that out of this discussion will come something that will benefit the entire Southland.

When on August 22, this year, freight rates on manufactured articles in the South were reduced by about 8 per cent and increased by the same measure in the North, we harvested the first fruit from the Class Rate Case, on which so much time and effort has been expended by the Southern Governors' Conference. I think we were all of the opinion that this interim reduction meant that our freight rate work was over and that the final realization of a fair and equitable rate structure was only a short step away.

That we have been overly optimistic has been proven by more recent developments.

It is, of course, an obvious truth that the mere prescription of a uniform scale of rates means nothing, unless it is applied in connection with a uniform classification of all articles moving under the rates contained in the uniform mileage scale. The Interstate Commerce Commission, as you know, told the carriers in Docket 28310, a companion issue to the Class Rate Case, that they must proceed with the development of such a uniform classification and submit it within a reasonable time.

The rail carriers complying with this order have set up a "Railroad Committee on Uniform Classification". It is composed of the chairmen of
each of the classification committees in the three major freight rate territories: official, southern and western. On August 5th this committee opened its first public hearing on the revised classification for a number of articles.

No sooner did the hearing open than general complaints arose from many shipping interests, for it was discovered that, generally speaking, the railroads are seeking to accomplish uniformity through the means of increasing the ratings to the highest level rather than utilizing the principles of classification laid down by the Interstate Commerce Commission in its report in Docket 28310.

Of perhaps even more striking significance is the fact that the railroad committee has taken some articles which are already uniformly classified in all territories and increased the rating of such articles.

I hasten to say here that I would be more accurate if I prefaced these remarks about the rail carriers' actions with the word "proposed", because it is true that the classification changes listed by the railroad committee represent only proposals by the carriers which they themselves may conceivably change and which will be subject to suspension by the Interstate Interstate Commerce Commission when finally filed in permanent tariff form.

Coincident with this work toward the development of a uniform classification, the carriers have, for entirely unrelated reasons, undertaken to make certain changes in their rate structure which would result in tremendous increases in the cost of transportation. For one thing, the southern carriers are now considering the cancellation of the 3,519 exceptions to the classification made effective on September 1, 1940. The cancellation of these exceptions ratings would in nearly every instance result in an increase. For another thing, the carriers are considering the establishment of a 6th class minimum on less-carload freight, which would result in
considerably higher rates on such products as grain, canned goods and feed-stuff. And, as you know, on Monday of last week freight rates were advanced 10 per cent throughout the nation on a temporary basis awaiting the outcome of the railroads' petition for increases ranging from 28 per cent to 38 per cent.

These revenue producing measures are being taken for one or a combination of several reasons. One is the increased cost of doing business; another is an attempt to hedge against the threat of further wage increases; and still another is the possibility that the railroads are simply trying to make the same high profits that other industries are reaping now.

Whatever the reason may be it is indeed unfortunate that many railroads have sought to use our Class Rate Case as a vehicle for justifying their attempts to raise freight rates. That they have been successful to some degree is plainly apparent from the attacks that have been made on the Southern Governors' Conference and the Class Rate Case during the course of the hearings before the Uniform Classification Committee.

We have before us two fundamental tasks which we must accomplish: The first and most important is to see that a uniform classification is promptly developed which will provide a fair and equitable rating for every article of commerce, such ratings to be used in conjunction with the uniform scale of class rates prescribed by the Interstate Commerce Commission. In this connection, we must not only look after the competitive interests of industry in the South, but we must prevent the rail carriers from using the new classification as a revenue producing measure.

Second, we must defend the position of the Southern Governors' Conference before the public, and if necessary again go to the public and let them know that our victory in the Class Rate Case has not caused an increase in freight rates, and that its only result can be great benefit to the South and to the entire United States.