STATEMENT OF J. STROM THURMOND, GOVERNOR
OF SOUTH CAROLINA, TO THE MEMBERS OF THE
SOUTHERN GOVERNORS' FREIGHT RATE COMMITTEE,
MET IN THE GOVERNOR'S OFFICE AT COLUMBIA
AT 11 A. M., SEPTEMBER 6, 1947

TO THE GOVERNORS AND OTHER EXPERTS:

Despite the freight rate adjustments which went into effect
on August 22, comprising a 10 percent reduction in the South and a 10
percent increase in the North, class rates within the South still
average about 8 percent more than those within the North.

As you all know, it took us a great many years even to get
them down to this set-up. I think we should keep on with the fight
and press it forward at every opportunity. Historically, the Northern
railroads have used the argument that higher operating costs necessitated
higher freight rates in the South. Such a situation, if it ever really
existed, now no longer is valid. It was a source of satisfaction to
me to note that in the arguments before the Supreme Court in the
Southern Governors' Freight Rate case the North finally abandoned
this threadbare argument.

I thought we of the Freight Rate Committee should get
together now and assess the situation and the immediate steps we should
take to protect Southern interests at this time. As you know, the
Committee on Uniform Classifications is holding hearings on what it
terms Docket No. 1. As a result of the Supreme Court decision, the
railroads were "admonished" to set up a uniform classification system
and this so-called committee has been the result.

As I understand it, the railroads, faced with the problem
of uniformly classifying some 10,000 individual freight item charges,
divided them into four sections, or dockets. The railroads then,
pooling personnel and money, set up this committee--on which none but
railroad men is represented--to go about the country and hear statements
and opinions by shippers and other interested parties on the question of
rates. These railroad men, who have already established the rates they
want, will theoretically take into accounting the evidence they hear
and then ask the Interstate Commerce Commission for permission to
publish the rates they finally decide on. If this permission is
granted, the rates will then be legal.

It should be of interest to every Southern Governor to learn
that the Southern Traffic League recently made an analysis of the
railroad-proposed rates in Docket No. 1 and found that the railroads
had taken the highest rating in each item as a floor, observing no
ceiling whatsoever. Obviously, this means that unless we get busy
we are going to lose our shirts.

However, before such rates become legal, we Southern Governors
have it in our power to suspend them by items or in toto by merely
making objections. It was because of the obvious tack the railroads
were taking, as well as a common sense measure of protection of
Southern interests, that I recently suggested to you that we Governors
hire a technical expert to represent us at all open hearings of the
Committee on Uniform Classifications.

It is quite apparent that the railroads have embarked on a
price offensive. They are now seeking to cancel the Southern "exceptions"
which already exist. And even when uniform classifications have finally
been established, I understand that shortly thereafter numerous requests
for "exceptions" will be asked for by Northern interests. I maintain we
ought to oppose these requests on the grounds that uniform classifications
should be made uniform. That, in addition to equalization of rates,
is what this whole fight has been about. That is what the South wants.

In addition to this disturbing situation, we have already
seen the northern railroads take these steps:

a) They are seeking a general rate increase of approximately
27 percent under Ex Parte 166 at a hearing open in Washington on September 9.

b) They have sought and obtained an increase in Pullman
fares and are seeking an increase in passenger coach fares.

c) They are seeking to obtain cancellation of "motor truck
competitive rail rates" which the Southern railroads instituted in 1939
as a measure of meeting competition from trucks engaged in hauling fruits
and vegetables from the South to Northern markets. Because they would
lose a great deal of business if they had to boost their rates 15 percent (that was the 1939 reduction), the Southern railroads naturally are opposing the Northern railroads. Mr. Sam T. Watkins, manager of the Charleston Traffic Bureau, estimates that Charleston County fruit and vegetable shippers would have $150,000 added to their transportation costs if the Northern Railroads are successful.

In another case already heard before the Interstate Commerce Commission, the "Big Five" railroads sought to establish an unloading charge on Southern-shipped fruits and vegetables at their New York and Philadelphia piers. The decision in this hearing has not yet been announced.

In consideration of these factors, I recommend that the Southern Governors:

1) Instruct our technical expert to represent us at all open hearings of the Committee on Uniform Classifications and be fully prepared to object by items or in toto to the rate which that committee prepares for submission to the Interstate Commerce Commission; and further, that he be instructed to obtain from that committee a report as to the methods it uses to arrive at proposed rates which he considers unduly high.

2) Instruct our technical expert to represent us at all railroad requests for increased rates which will affect the South.

3) Employ a competent cost expert or experts to check closely the data on which such railroads may request rate increases, each State to pay a proportionate share of the costs.

4) Formally disapprove as unjustified the efforts of the Northern railroads to compel the Southern railroads to raise their rates on shipment of fruits and vegetables from the South to Northern markets.

5) Condemn the efforts of the "Big Five" railroads to obtain discriminatory fees for unloading at their New York City and Philadelphia piers fruits and vegetables shipped from the South.

6) Request that, in accordance with long custom, agricultural products shipments be given special treatment or "exceptions" under the Uniform Classifications in both the South and the North, but that all other
"exceptions" be denied.

7) Ask Governor Caldwell and Commissioner McDonald to represent the Southern Governors Conference at the Ex Parte hearing in Washington on September 9.

J. STROM THURMOND
GOVERNOR