TRAFFIC DEPARTMENT FOR N. C. B. A.

By F. M. Elkinton, Milwaukee, Attorney for N. C. B. A.

Mr. President, Ladies and Gentlemen: My position here today is rather an unusual one, perhaps.

It is a considerable satisfaction to be permitted through the courtesy of your Secretary, Mr. Meyer, to join in the deliberation of a body representative of one of the most important industries of the world.

In realization of the importance of co-operation in the up-building of our industrial enterprises you have been assembled here. Perhaps that essential in your activities has never been quite so strongly emphasized as at the present time, when there rests with us so great a responsibility to humanity. We are called upon at this time to provide a greater production of the products of the soil, as an economic necessity.

Perhaps no field of endeavor so necessary in the present emergency can be thought of than that which contributes to the fertility of our soil and resulting greater production of the necessities of subsistence.

You have a vast and intricate business, built up through years of toil and struggle, in which every part of the country has its stake, which will not permit of either neglect or of undue selfishness. No narrow, sordid policy will subserve it. The greatest skill and wisdom on the part of the producers will be required to hold and increase it. Our enterprise, which has grown to such great proportions affects the homes of the people and the welfare of the country. Our production has developed so enormously that the transportation problem of supplying the markets, requires our urgent and immediate attention. In these times of marvelous business energy and gain we ought to be strengthening the weak places in our industrial and commercial systems, in preparations of what the future may require.

I have enjoyed the privilege of representing you for some time in the past, in one of the most essential considerations in the development of the dairy industry, that of transportation, and I am particularly glad of the opportunity afforded me at this time to explain to you the issues in cases now pending before the Interstate Commerce Commission, with which you are now more or less familiar.
Carload Rating Petition.

The first explanation I desire to make is that relative to the petition of the packers and centralizers for a carload rating on dairy products, to Eastern destinations. Before going into this, however, it might be well to say that the opposition to the carload petition was entirely upon the part of the smaller shippers, by reason of the disadvantage that would accrue to them through the opportunity that would be afforded the packers and centralizers of transporting these commodities in carloads, at a much lesser rate than could be accomplished by the smaller shippers, whose custom it is to offer for transportation less carload shipments, and against which must be assessed charges based upon a less carload rating, higher of course than that accorded a carload shipper.

At present and in the past, a rate was made upon these commodities the same when shipped in carload or less carload quantities, and known as "any quantity" rates.

The "any quantity" rate has been approved and upheld by the Interstate Commerce Commission, in former attempts of the centralizers to secure carload ratings. Among the more prominent cases in which this was at issue was the so-called Omaha Commercial Club Case, decided by the Interstate Commerce Commission on October 4th, 1910, and in which they said:

"The any-quantity rate rests upon sound public policy. It enables the small shipper to compete on fairly equal terms with his powerful competitor, thereby counteracting in a measure the prevalent tendency toward monopoly. While the Commission has consistently sustained the legality of a differential between carload and less-than-carload rates upon the ground that the difference in the cost of service justifies a reasonable difference in charge, it is highly significant that no order has ever been issued requiring that any-quantity basis be superseded. As previously noted, there is at the present time a difference between the carload and less-than-carload rates on dairy products from Omaha to the Mississippi River and Chicago, and to this extent the carload shipper has an advantage by lowering the eastern factors as applied to carload traffic or establishing joint through
carload rates on a lower level than the present combination."

In the various other cases brought, and heard by the Interstate Commerce Commission, this opinion was consistently maintained. Notwithstanding this fact, the Kansas Carlot Egg Shippers, Armour & Company, and Swift & Company, filed a petition late in 1915 which was heard by the Interstate Commerce Commission at Chicago, beginning March 28th 1916, and extending over a period of ten days.

This case presented a systematic and thorough effort on the part of the packer and centralizer to create that disadvantage that was pointed to by the Commission in the Omaha Commercial Club decision that I have just mentioned.

**Handicap on Eastern Business.**

The co-operative creameries are today operating under a handicap on shipments to Eastern territory by reason of there being carload rates in effect in Western territory. As an example, based upon an average the spread as between the carload and less carload charges are 13.9 cents to Pittsburgh, Philadelphia, New York and Boston, which is equivalent to an amount of $27.80 per car representing the amount to be overcome in some way by the co-operative creamery.

This disadvantage would be further increased if the Commission were to grant carload ratings in Eastern territory to 33.8 cents per hundred pounds to Pittsburgh, which is equivalent to $67.60 per car. 36.4 per hundred pounds to Philadelphia and New York, which is equivalent to $72.80 per car, and 37.5 per hundred pounds to Boston which is equivalent to $74.80 per car, this means that every 20,000 pounds of butter you sell in Pittsburgh, your cost or that of your customer is $67.60, to Philadelphia and New York $72.80 and to Boston $74.80 more than the cost if your customer buys the same product from the packer or centralizer. Not only this, but a further disadvantage would result by reason of the packer or centralizer being able to ship mixed carloads of dairy products consisting of butter, eggs, cheese, dressed poultry and oleomargarine. In this way he can make shipments of small lots of each of these commodities in the same car and secure the
benefit of the carload rating, while you would have to make up your minimum weight of 20,000 pounds exclusively of butter.

Refrigeration Case.

The second case of prime importance to your industry at the present time is one of a somewhat different nature and in which the unusual circumstance of our being enabled to join with the packers and centralizers exist.

There was published by the carriers and became effective on March 20th, 1915, tariffs providing for a charge in addition to the rate per hundred pounds for carriage to cover, refrigeration service and were proposed to be assessed as follows:

$2.50 per ton for ice supplied on lots of over 15,000 pounds, and a charge for lots of less than 15,000 pounds based upon approximately 10% of the first class rate per hundred.

For instance, when the class rate per hundred is 50 and less the charges in cents per 100 pounds for refrigerator car service will be

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It is a fact that prior to March 20th, 1915, the Official Classification lines, that is the lines operating east of the Mississippi River and north of the Ohio and Potomac Rivers, transported dairy products in refrigerator cars under ice if necessary at the rate applicable to the commodity without any additional charge for refrigeration. It being understood of course that the rate per hundred, anticipated revenues to cover any necessary service for the proper protection of the consignment.

The National Creamery Buttermakers’ Association among others, requested the suspension of the tariffs providing for these changes and pending an investigation and hearing for the purpose of arriving at the propriety of the tariffs. This request was denied by the Interstate Commerce Commission, and the tariffs became effective.
As the result, however, of petitions filed later, a hearing was had in which the justification and the objections to these proposed changes were thoroughly considered by the Commission.

In the decision of the Commission of February 26th, 1917, it was ordered that the tariffs providing these refrigeration charges be cancelled on or before June 1st, 1917, and the charges assessed under these tariffs were pronounced unreasonable.

In the decision of the Commission said:

"Further hearing will be had on formal claims filed for reparation."

The carriers sought by petitions of May 8th and July 25th to have the case re-opened for further consideration. Each of these petitions were denied by the Commission.

**Reparation Case.**

Reparation petitions have been filed by me in behalf of your Association and the Cheese Shippers Traffic Association, petitions were also filed by Swift & Company, Armour & Company, Morris & Company, Wilson & Company, and others engaged in the dairy industry and it is believed the amount of reparation to charges improperly paid will aggregate a million or more dollars.

This case has been set to hearing by the Interstate Commerce Commission at Chicago on November 20th.

I can only roughly approximate at this time the financial interest of your Association; it would seem, however, that it would amount to over $100,000.00.

Whether or not the reparation application for the charges paid for the two years the tariffs were in effect may be successfully litigated the saving to the industry by reason of the successful conclusion of the original case will mean millions. The benefits of this decision will be felt a great deal more by our Association than by the packers and centralizers because of the already great handicap we must meet.

I have only outlined these two cases because they are the ones that confront us more particularly at this time. It is a fact, however, that the inherent nature of the industry itself is dependent for its existence, largely upon the elements of transportation and it must necessarily follow that where this is true that a close ob-
servance of legislation, participation and proper interpretations of all matters in the transportation world must be had.

In this connection I want to take you back just a moment to the first case, I mentioned, that of the carload rating as applied for by the packers and centralizers.

When an attempt was made by your counsel to draw from a witness for Swift & Co., at that hearing an admission that there would be a disadvantage to you, in the making of a carload rating it was pointed out by that witness that it would be possible for the co-operative creameries to consolidate their shipments to some extent and this no doubt can be done, and it seems to me the matter should be studied and arrangements made to do so where possible. The result of an attempt along this line will fortify us to a considerable extent against the injury if the Commission should decide in favor of a carload rating, and will assist us in securing no doubt better transportation service by bringing the product into the consuming market in better shape through this consolidation, whether or not it may be compelled by such a decision.

Traffic Department.

I was requested to appear here today to more particularly outline or at least to give you some idea of the needs of your Association from the standpoint of a department of traffic, and I want to first invite your attention to the fact that the most vital competition you meet is that of the packers and centralizers, and then to ask you if you can recall one of them who are not investing thousands annually for the benefits derived from a traffic department.

As I mentally review the expanse of territory in which you operate and the problems you have had to meet in the past, and the constantly increasing ones you will have to meet in the future, I cannot help but feel that unless you provide yourself with a traffic department, properly equipped and prepared to cope with that maintained by your powerful neighbors, you cannot expect to maintain your markets or develop your industry against their competition. The law provides you with an instrument of untold value, the privilege of competing and sharing alike in the benefits of our trans-
portation systems, with your most powerful competitor. The law gives you this instrument, but cannot compel you to use it.

The participation in Interstate Commerce Commission or State Railroad Commission rate cases is an important item, but not the most important. The matter of the proper application and interpretation of the freight tariffs under which your commodity moves are of primary importance. The statistics of the Interstate Commerce Commission indicate a seemingly impossible amount of money in freight charges collected in excess of the legal published rates annually, and it would seem most likely that the amount would have been collected largely from those unprepared to cope with the details incident to their transportation matters.

In building a house you must naturally first have a good foundation or else the structure itself, no matter how strong or how costly the material, will not stand. So it is in transportation. The details must first be understood and properly analyzed that the mere intricate problems arising may be met with familiarity and confidence, and so that the benefits may endure.

There is no other Association whose business is so dependent on transportation, who do not maintain traffic departments, and I venture to suggest that in most cases the membership numerically does not approximate that of the National Creamery Buttermakers' Assn.

It seems to me that the constantly changing rate structure and transportation conditions generally necessitate an immediate provision providing each industry as a whole with a medium of proper consideration to their transportation problem that they may be relieved and feel secure in the knowledge of ample care and protection in that important essential.

For sometime past an organized effort has been made by our Railroads to advance freight rates. A large number have been advanced, and judging at this time, many more increases may be expected within the next few months. Measures have been taken in many ways by the Railroads to reduce the cost of operation. Smallest details of expense are being closely watched and revenues of the carriers generally are being enlarged wherever possible.

The Railroads sell transportation and it is as much their province to secure as high prices for their product
as is possible, as it is for our shoe, grocery or clothing stores that we patronize each day. The increasing dividends paid to the stockholders of Railroads are representative of increased efficiency on the part of the management. It must be remembered that a Railroad Company is a public utility, every act committed, every freight rate published and every dividend paid a stockholder is open to criticism of the government, a maximum of service must be given at a minimum of cost and it is interesting to know that economy and efficiency in our transportation systems have given us a better service and at lower costs than exist in any country of the world, not excepting those where the Railroads are under government control.

Notwithstanding these conditions representing efficiency in traffic affairs, the carriers are not infallible and it is to be expected that among so great an army of servants as are employed in transportation service, errors must be many and that where a spirit of loyalty and sincerity is taught and fostered, and exists perhaps to a greater extent than may generally be found, it is to be expected that such errors as are committed would generally be at the cost of the shipper—as has been said: "An employee of a Railroad is asked to serve two masters and one of them pays no salary."

Increased efficiency generally has been material in the development of all our industrial institutions. No substantial foundation, however, in the way of comparison between the shipper and the Railroad can be arrived at unless we admit that in the business of transportation the Railroad Companies are always familiar and are prepared to intelligently analyze each and every problem incident to their business. In the case of the shipper, particularly the smaller, many cases may be found where many of the phases of their own business are entirely misunderstood by them, particularly with reference to transportation.

It should be understood that the Interstate Commerce Commission is an administrative body and that many tariffs may contain discriminatory and unjust features when issued, and that unless the shipper is sufficiently familiar with the subject to enable an intelligent analysis for presentation for the consideration of the Interstate Commerce Commission, they may legally become effective. Classifications are made on the sug-
gestion of one shipper without consideration to the interests of others, or the classification committees acting as representatives of the Railroad Companies, may publish such classifications, rules and regulations as may seem reasonable to them, and if no objection is made through ignorance on the part of the shipper injured thereby, such classification, rule or regulation legally becomes effective.

During the past few years circumstances have required a rather close working arrangement with your Secretary, and in fairness to him I want to say that his close observance of matters arising from time to time, incident to transportation, has played a very material part in what has already been accomplished in behalf of the Industry, but transportation is a business in itself no longer requiring only a casual observance, or a one-man effort, but rather a systematic detailed study and constant attention from the smallest detail to the most intricate problems, and that by a well equipped thorough department, so located as to enable the closest co-operation with the Railroads and the Membership alike.

We should profit by the lessons so indelibly impressed upon us by the Railroads of the country, and although to perhaps a lesser extent, none the less impressive by the packing industry and centralizers, who are pioneers in the field of co-operation, and who have their being by breathing the atmosphere of combination and unity of action.

President: We have listened to a very able address on transportation. Those of you who are familiar with it will observe its correctness.

The next paper is the butter critic. Mr. Mads Søndergaard, Washington, D. C., will have a few moments to tell you about the butter on exhibition. I know you will be interested in his criticism of butter.

Mr. Søndergaard: Mr. President and Fellow Buttermakers: The number of tubs of butter sent for scoring was less than was expected, so they decided to devote a little more time on each individual tub than is generally the case. Whether this is any advantage is for the buttermakers to answer.

Some seem to think that the decrease in the number of entrants this year is due to the fact that only the