FACTS REGARDING RAILROADS, PUBLIC HIGHWAYS, AND MOTOR VEHICLES

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History of Railroads in the United States

Construction Commenced

The first railroad in the United States began operation in 1830--102 years ago. Thereafter railroad construction proceeded at a rapid pace, particularly after 1850.

Early Railroads Were Built Largely by Public Contributions

No doubt railroad construction during that period was greatly stimulated by the gifts of land and cash subsidies paid to the promoters by the general public. In fact, the railroads constructed during that period were built largely by public contributions rather than by the promoters who professed to be building them. As stated in an editorial by Mr. Chas. P. Stewart of the Central Press Association, Washington, D. C., May 21, 1932:

> "The land given to railroads built through the west during the period of their great development aggregated an area almost exactly equaling the Austrian empire's prior to the World War.
>
> "It was uniformly good land. The companies' experts made sure of that.
>
> "For example, Iowa, generally recognized as, acre for acre, one of the agriculturally richest spots on earth, was included among several states which voted between 20 and 25 per cent of their soil to encourage railroad building.
>
> "Besides gifts of land, cash subsidies were paid to stimulate railroad construction, in amounts it is impossible to accurately trace.
>
> "At any rate, they footed high into the hundreds of millions before the end of the first third of the nineteenth century and grew vastly larger in later years.
>
> "In fact, the roads really were built largely by public contributions rather than by the promoters who professed to be building them.
>
> "The promoters, however, were not satisfied with having their properties virtually presented to them.
>
> "They sold stock and floated bonds to raise money ostensibly for construction purposes. Then they organized companies to do the work, charged for it "ad lib" and of course O. K.'ed their own bills.

"As years passed water was added from time to time to a total volume at which omnipotence alone can guess today--but oh! a lot of it.

"These early builders cannot have foreseen that the fictitious capitalizations they were creating would serve their successors as a basis for demanding profits upon enormous investments which never actually were made in the roads.

"Such has proved to be the case, but immediate plunder probably was all that the pioneers had in mind.

"To a great extent they sold their gift lands and pocketed the proceeds. They realized on their padded construction and put the cash into something else. They disposed of their watered shares and bought sounder securities. They took their swag and got out."

Railroads of the Nation Are Subsidized by the Government

The Interstate Commerce Commission, hereinafter termed the Commission, in its annual report to Congress December 1, 1932, shows that it has approved loans of the Reconstruction Finance Corporation of $346,829,-179 to the railroads.

Mileage in United States

On December 31, 1930, as reported by the Commission, there were 251,176 miles of railroads in the United States, of which 2,494 miles were in Arizona.

Inflated Book Value of Railroads

The Commission on July 29, 1920, in Increased Rates, 1920, 58 I.C.C. 220, found that the value of property of steam railroads held for and used in the service of transportation was, for rate-making purposes, approximately $18,900,000,000. The railroads at that time contended that the cost of road and equipment shown by their books as of December 31, 1919, was $20,040,572,611. In June, 1931 in the 15 Per Cent Case, 1931, 178 I.C.C. 539 and 179 I.C.C. 215, hereinafter termed the 15 Per Cent case, the railroads contended that the property investment of Class I railroads in road and equipment at the close of 1930 was $25,664,656,010. However, the underlying studies made by the Bureau of Valuation of the Commission showed

that the reproduction costs for all steam railroads (Classes I, II, and III) as of December 31, 1930, at period prices, less depreciation, was $22,269,536,110; and at 1931 prices, less depreciation, was $21,581,016,255. Thus, it is apparent that at that time the book value as shown by the carriers exceeded by more than $4,083,639,755 the reproduction costs as determined by the Commission.

Railroads Have Failed and Refused to Comply with Consolidation and Pooling Provisions of the Existing Law

The costs of maintenance and operation, including salaries of the executives, of the railroads of the nation, irrespective of what they may be, are paid and borne by the general public. Early in 1920 Congress recognized that the continuance of the hundreds of needless separate corporate entities of the railroads was unnecessarily costing the general public millions of dollars annually, and therefore honest, efficient, and economical management of the railroads was impossible. Consequently, the Congress instructed the Commission to prepare plan for the consolidation of the railroads into a limited number of systems preserving existing competition as fully as possible and wherever practicable.

The Commission, responsive to the consolidation provision of law, issued its tentative plan for the consolidation of the railroads on August 3, 1921, Consolidation of Railroads, 63 I.C.C. 453. Said plan provided that the railroads be consolidated into nineteen systems. Moreover, on December 9, 1929, the Commission rendered its final report for the consolidation of the railroads, Consolidation of Railroads, 159 I.C.C. 522. The final plan of the Commission provided for the consolidation of the numerous railroads into twenty-one systems.

The management of the railroads has failed and refused to comply with the consolidation provision of law. It has not consolidated the numerous lines into a limited number of systems. For the year 1919, a total of 845

Class I, II, and III railroads filed annual reports with the Commission, compared with 724 for the year 1931. Thus, it is clear that the number of steam railroads reporting to the Commission in 1931 exceeded by 703, or more than 3,247 per cent the number of systems which the Commission considers essential to secure honest, efficient, and economical operation and preserve competition as fully as possible and wherever practicable.

The existing law does not only contemplate that the railroads shall be consolidated into twenty-one systems, but it further contemplates the pooling of facilities, traffic, and earnings by such systems. The railroads have not complied with the pooling provision of law. In a few instances some of the railroads have effected pooling arrangements, but, generally speaking, they have not complied with the spirit or letter of the law. On the contrary, instead of pooling their terminal facilities and operations, the railroads during the years 1920 to 1929, inclusive, constructed and placed in operation 17,137 miles of additional yard tracks and sidings, compared with 2,045 miles of first main track and 5,981 miles of other main track.

In addition, during that period, the railroads constructed and maintained thousands of units of equipment not required under the consolidation provision of law. In fact, during the year 1929, when the railroads handled the peak volume of traffic, there was a substantial surplus of all classes of equipment.

That is not all. The failure of the railroads to consolidate their properties and pool their terminal facilities and operations has resulted and is resulting in the movement of thousands of empty units of equipment, aggregating billions of empty car-miles annually, merely for the purpose of returning such cars to the lines of their owners. Under consolidated operation of railroads, as contemplated by Congress, this movement would be substantially reduced, thereby saving vast sums of money annually by the general public.

Exorbitant Salaries of Railroad Executives

Moreover, the railroads have continued to pay exorbitant salaries to the chairmen of their executive committees, presidents, and other executives. For example, an investigation conducted by the Commission shows that in February, 1932, the railroads were paying the chairmen of their executive committees salaries ranging from $25,000 to $135,000 per year. The salary of the Chairman of the Executive Committee of the Southern Pacific System was $135,000 per year. The investigation further developed that the railroads were paying their presidents salaries ranging from $30,000 to $135,000 per year. The annual salary of the President of the Southern Pacific was $90,000.

Additions to Investment in Road and Equipment

Notwithstanding the failure anf refusal of the management of the railroads to consolidate their properties and pool their facilities and operations as required by law, and their further failure to place their passenger and allied business on a paying basis and thus avoid the piling up of annual passenger losses of approximately $450,000,000, the railroads of the nation during the years 1921 to 1930, inclusive, added $5,331,715,-150 to their investment account in road and equipment--an increase of nearly 28 per cent. However, during said period the number of miles-of-road owned decreased 3.21 per cent. The average investment per mile-of-road owned increased from $86,941 to $114,954, or 32 per cent. Moreover, the average investment per mile-of-road owned increased 21.1 per cent between 1923 and 1931, although the volume of traffic, measured by productive gross ton-miles, in 1930 exceeded that for 1923 by only 2.6 per cent. Thus, it is clear, measured by the volume of traffic, even during the peak year, the investment in road and equipment has been increased far in excess of actual necessity, even under the existing uneconomical methods of operation.

Railroad Dividends

However, during the years 1920 to 1930, inclusive, the railroads paid dividends amounting to $4,951,555,819. Class I roads alone paid dividends in 1930 of $506,624,912. This is equivalent to an average rate of 7.82 per cent on dividend yielding stock. That is not all. The corporate surplus of Class I railroads increased from $3,142,416,871 in 1920 to $5,177,568,461 in 1930. The increase in the appropriated surplus during this period amounted to $116,168,097, compared with an increase of $1,918,-983,493, or more than 100 per cent in the unappropriated, or free surplus.

RAILROAD REVENUES

Freight Revenues

Notwithstanding the failure and refusal of the railroads to comply with the consolidation and pooling provisions of the law and thus operate their properties honestly, efficiently, and economically, the freight business of the railroads as a whole is doing reasonably well, present economic conditions of the nation considered. The following table shows freight revenues and expenses of Class I steam railroads for the calendar years 1930 and 1931:

	1930	
	United States	Western District
Freight Revenue	$4,214,313,386	$1,654,144,632
Freight Expense	2,851,067,733	1,065,247,186
	1,363,245,653	588,897,446
&	1931	
	United States	Western District
Freight Revenue	$3,359,752,917	$1,306,509,475
Freight Expense	2,305,358,533	854,417,906
	1,054,394,384	452,091,569

It will be noted that in 1930 the freight revenue for the United States exceeded the freight expense by $1,363,245,653. Moreover, that the freight revenue for the Western District, which, roughly speaking, includes

the territory west of Chicago, St. Louis, and the Mississippi River south thereof, exceeded the freight expense by $588,897,476. Furthermore, it will be noted that in 1931 the freight revenues for the United States and the Western District exceeded the freight expense by $1,054,394,384 and $452,-091,569, respectively. Stated otherwise, in 1930, only 67.65 cents and 64.40 cents out of each dollar collected for freight service were required to pay freight operating expense in the United States and for the Western District, respectively. In 1931 only 68.62 cents and 65.40 cents out of each dollar collected for freight service were required to pay the freight operating expense in the United States and the Western District, respectively.

The Commission, in its annual report to Congress December 1, 1932, estimated that the increases authorized by it in the 15 Per Cent case, which became effective January 4, 1932, will likely produce approximately $75,000,-000 additional freight revenue for the railroads in 1932.

Thus, if the railroads would conduct their passenger business as profitably as the freight business instead of piling up passenger deficits of something like $450,000,000 annually, the railroads would even now, under adversity in a period of great depression, be earning enough to stabilize their credit situation.

Passenger Revenues

However, passenger and allied services continue to lose millions of dollars and pile up huge deficits annually, notwithstanding that the present basic passenger fare of 3.6 cents per mile exceeds by 1.6 cents, or 80 per cent the prewar basic fare of 2 cents per mile. The table below shows the revenues derived from passenger and allied services, and expenses of such services for Class I steam railroads for the calendar years 1930 and 1931:

	1930	
	United States	Western District
Passenger Revenue:	$1,066,883,484	$365,018,105
Passenger Expense:	1,079,860,954	409,515,146
	Deficit 12,977,470	Deficit 44,497,041

	1931	
	United States	Western District
Passenger Revenue:	$ 828,590,327	$274,128,477
Passenger Expense:	918,216,083	337,655,039
	Deficit 89,625,756	Deficit 63,526,562

It will be noted that the revenues from the passenger and allied services failed by millions of dollars annually to cover the mere expense of operation, not to say anything about contributing their proportionate share towards taxes and return on railroad property. The passenger deficits for the United States as a whole were $12,977,470 and $89,625,756 in 1930 and 1931, respectively. For the same years the passenger deficits in the Western District were $44,497,041 and $63,526,562, respectively. Stated otherwise, in 1930 for each dollar collected by the railroads for passenger and allied services for the United States as a whole and the Western District, the railroads paid out $1.0122 and $1.1219, respectively. Moreover, for the year 1931 for each dollar collected by the railroads for passenger and allied services for the United States as a whole and the Western District, the railroads paid out $1.1082 and $1.2317, respectively.

With respect to the staggering deficits in the passenger and allied services which have been piling up for years, the Commission in the 15 Per Cent case, at page 584, stated:

> "Foremost among the problems to be solved (by the railroads) is that presented by the passenger service. Broadly speaking, this service for the country as a whole fails by something like $450,000,000 annually to contributing its proportionate share toward taxes and return on railroad property. * * * In other words, if the carriers were able to conduct the passenger business as profitably as the freight business, they would even now, under adversity in a period of great depression, be earning enough to stabilize their credit situation. The freight business as a whole is doing reasonably well, present

conditions considered. The carriers in this record point out the substantial curtailments of passenger service which have been made in an endeavor to reduce losses. * * * But much more drastic measures will be necessary if the staggering deficit incurred by that service is to be reduced to bearable proportions. A little has been done in the pooling of competitive train service by rival lines,but we believe that the opportunities in this direction have by no means been exhausted. Much more can be done under existing law. On some lines it may be necessary for the companies to retire from the passenger business entirely. On others it may be that better service with lighter trains at greater speed and at lower fares will revive patronage and reduce expenses. * * * "

Railroads, Including Southern Pacific, Own and Operate Passenger Busses

The substantial annual deficits in the passenger and allied services under fares which exceed by 80 per cent the prewar fares should be sufficient to dispel the profound fallacy under which the railroads have been laboring that increased charges necessarily produce increased revenue. However, instead of reducing their fares so as to retain the traffic to their rails, many of the railroads have purchased and now own and operate either directly or through subsidiary companies, motor busses, hereinafter termed busses. The fares of such busses are slightly, and in some instances materially lower than those of the railroads. Therefore, such bus lines have been and are doing a substantial business.

For the period January 1 to June 30, 1930, as reported by the Commission in Coordination of Motor Transportation, 182 I.C.C. 263, thirty-three railroads of the United States operated 3,105 busses over 65,801 miles of public highway, hereinafter termed highway, carrying 35,930,847 passengers, who paid a total of $16,182,029 in revenue.

The Southern Pacific Company during that period operated 648 busses over 19,596 miles of highway and carried 4,383,250 passengers, for which it derived $4,097,634 revenue.

The question arises, why should the railroads, with the surplus facilities for handling passenger traffic on their lines, engage in bus transportation in competition with their rail lines? The answer is obvious. They should not do so. However, by so doing they are circumventing the existing law. Revenues derived from the operation of their rail lines have been, since 1920, and are subject to the recapture provision of law. But revenues obtained from bus operations are not subject thereto, as it is not classified as railway operating income when it reaches the treasuries of the railroads. The same is true of millions of dollars derived by the railroads annually from other sources. Their revenues are not confined to those secured from the operation of their rail lines. However, they say nothing about this, but continuously call the attention of the public to the railway operating income and expenses.

HISTORY OF INTERSTATE RAILROADS SERVING ARIZONA

Southern Pacific Company
(Pacific Lines)

The Southern Pacific was the first railroad to serve Arizona. It reached the west bank of the Colorado River, opposite the present site of Yuma, in 1877. Construction was completed into Tucson, and the first train entered that point March 20, 1880, following which construction was rushed toLordsburg and El Paso, thus forming the first trans-continental railroad serving Arizona.

Generally speaking, the line from Yuma on the west to Cavot on the east is the only portion of the present Southern Pacific lines within Arizona constructed by that company; although it did in 1925 and 1926 construct short lines from Picacho to a point south of Chandler and from Hassayampa to Wellton. The branch lines from Maricopa to Phoenix; Bowie to Miami; Tucson to Calabasas; Cochise to Courtland; Lordsburg to Clifton; Benson to Nogales; Phoenix to Hassayampa; and Phoenix to Christmas were all constructed by

other companies and later acquired by the Southern Pacific. The former lines of the Atchison, Topeka and Santa Fe Railway Company, hereinafter termed the Santa Fe, from Phoenix to Winkelman and Benson to Nogales, also the lines of the former El Paso and Southwestern, hereinafter termed the Southwestern, were acquired from the Santa Fe and the Southwestern, respectively, by the Southern Pacific for the purpose of eliminating competition with it.

Therefore, the Southern Pacific has actually constructed but a small portion of the lines now operated by it within Arizona. Thus, it may properly be termed an acquisitionist as distinguished from a constructionist. Moreover, as it has abandoned portions of the line acquired from the Santa Fe from Benson to Benson Junction and from Calabasas to Flux, and is now attempting to abandon the line from Cochise to Douglas, including the branches serving Courtland and Gleeson, it might with propriety be termed a destructionist.

Santa Fe

The line of the Santa Fe was constructed westward from Albuquerque. It reached Winslow before the close of 1881 and was completed to the Arizona-California state line in 1883, thus forming the second trans-continental line serving Arizona.

Its line from Ash Fork to Phoenix required much manipulation and high finance. It was completed in 1895. The line from Cadiz, California, through Parker, to a point just north of Wickenburg was completed about 1910 under an agreement between the Southern Pacific and the Santa Fe to be used by said companies as a joint, low line between San Francisco and El Paso, Texas via Phoenix in connection with the construction by the former of a line from Winkelman to a point near Bowie. The proposed line was constructed to Christmas, but because the route beyond that point traversed territory set aside by the Department of Interior for a dam site, the Government refused permission for further construction.

Santa Fe Subsidized

The Santa Fe was recipient of land grants. Throughout its extent of almost 400 miles across Arizona, the Santa Fe was granted by the Government a strip of land in alternate sections, amounting in all to more than ten million acres within Arizona. That is not all. It received similar grants for construction from Isleta, New Mexico to the New Mexico-Arizona state line, and for construction within the State of California.

Mileage

On December 31, 1930, as reported by the Arizona Corporation Commission, there were 2,494 miles of railroads within Arizona. This includes the short or independent lines. However, apparently under an agreement between the Santa Fe and the Southern Pacific, the former has not extended its lines south of Phoenix, since it sold the lines from Phoenix to Winkelman and from Benson to Nogales to the Southern Pacific, and the Southern Pacific has not extended its lines north of Phoenix. Thus, there is no competition between the Santa Fe and Southern Pacific within the State of Arizona. Moreover, vast sections of the State are not directly served by railroad.

Railroad Taxes in Arizona Are Lower Than the Average for the United States

The following method is employed by the Arizona Tax Commission in securing valuation of the Atchison, Topeka and Santa Fe Railway Company and the Southern Pacific (Pacific Lines) in Arizona for purposes of taxation:

First the net-operating income of the entire systems of said lines is obtained for ten-year period. This figure is then divided by the average number of miles operated by each of said systems, which gives the average net-operating income per mile-of-road for the ten-year period. This figure is then multiplied by the number of miles of road operated within the State. The resulting figure is then divided by .08 and the sum

obtained is used as the value of the respective properties:

In the table below we have contrasted the average taxes and assessments per mile-of-road for the years named for Class I steam railway companies and their non-operating subsidiaries for the United States, Arizona, and California, respectively:

	1928	1929	1930
United States	$1,711	$1,731	$1,519
Arizona	1,349	1,500	1,403
California	1,922	1,846	1,842

Taxes paid by railroads in California exceed those paid in Arizona by:

	1928	1929	1930
Per mile-of-road	$573	$346	$439

If taxes per mile-of-road on railroads in Arizona were on same basis as those in California, the State of Arizona would have received from the railroads greater taxes than it did receive as follows: 1928, $1,265,809; 1929, $764,325; 1930, $969,942.

Discrimination and Prejudice Against Arizona Citizens and Industries by Southern Pacific and Santa Fe

Rates, Fares, and Charges

Prior to the advent of motor vehicles, the rates, fares, and charges of the railroads from, to, and within the State of Arizona were the highest in the United States, service considered.

Fourth Section

From the time the Southern Pacific and the Santa Fe reached the Pacific Coast in the late '80's until March 15, 1918--more than thirty-one years--they maintained higher rates from Eastern points to Arizona than

those concurrently maintained through to the Pacific Coast. Moreover, on traffic originating in Arizona and destined to points east thereof, the Southern Pacific and Santa Fe maintained higher rates than those concurrently maintained from the Pacific Coast through Arizona to the same destinations.

The rates to Arizona from the East for example, were made, during a greater portion of that period, on the basis of the rates through to the Pacific Coast plus the exorbitant full local rates back to Arizona. Consequently, many shipments of freight purchased by citizens of Arizona in the Eastern markets were moved directly through the State to California and thence returned by the railroads to Arizona. In this manner, the shippers were enabled to secure lower transportation charges than if they had stopped their shipments at Arizona points, and thus avoided the necessity of the railroads handling them to the Coast and return.

The higher rates thus maintained from, to, and within Arizona discouraged industrial growth within the State. Conversely, the lower rates maintained to, from, and between Pacific Coast points encouraged industries locating in that territory. Thus, a veritable industrial empire grew up practically on board the ships of the water-carriers. Admittedly, this was a short-sighted policy on the part of the railroads. Had they met the issue as the Eastern carriers did in that territory, and maintained proper levels of rates to, from, and within Arizona, or at least rates no higher than those to and from the Pacific Coast, many of the industries which located on the Pacific Coast would, no doubt, have located within Arizona. Thus, even if those industries moved their traffic between the east and west coasts by water, the Southern Pacific and Santa Fe would have secured substantial rail hauls and revenues thereon between the Pacific Coast ports and points in Arizona.

Early in 1918 the Commission condemned the practice of the Southern Pacific and the Santa Fe charging higher rates to and from points in Arizona than those concurrently applicable from and to the more-distant California points. Generally speaking, since that time, for the shorter hauls from and to points in Arizona the rates have not exceeded those for the materially longer hauls from and to the Pacific Coast.

However, both the Santa Fe and the Southern Pacific since that time, on one or more occasions, have attempted by proceedings before the Commission to reestablish their former iniquitous practices in this respect. About three years ago the Southern Pacific in connection with its water-line from New York Harbor to Galveston, again attempted by a proceeding before the Commission to reestablish the substantially lower rates between New York Harbor and Pacific Coast ports, than the rates concurrently maintained to and from points in Arizona on its line. However, the citizens of Arizona very vigorously fought these attempts of the railroads, and thanks to the good judgment of the Commission, the various applications of the railroads serving Arizona have been defeated. The Southern Pacific, however, is very insistent in its efforts to again reestablish the discrimination and prejudice against Arizona. It has petitioned the Commission for a reopening and rehearing of its latter application. Therefore, it is still pending and, like the Sword of Damocles, hangs over the heads of the people of Arizona.

Bases for Rates on Arizona Products to Eastern Destinations Have Been, and Some Instances Now Are, the Rates for Substantially Greater Hauls from California Producing Points

Arizona for many years has produced many of the products produced in California which find markets in the Eastern territory. However, the Southern Pacific and Santa Fe have failed and refused, until compelled to do so, to establish and maintain relative reasonable rates, distance considered,

for the transportation of such Arizona products, namely fresh fruit and vegetables; livestock, including wool; hay; grain, including cottonseed and alfalfa products; and lumber.

The rates on livestock, including wool, hay, grain, including cottonseed and alfalfa products, from Arizona to eastern destinations, under orders of the Commission, now are lower than those from Pacific Coast points on the same commodities. The Santa Fe, in a great many instances, has voluntarily established lower rates on lumber from the northern Arizona mills to eastern destinations than those concurrently applicable from the more-distant California points to the same destinations. However, in some instances the present rates on lumber from the northern Arizona mills to eastern destinations are the same as those from the Pacific Coast.

Generally speaking, at the present time, the fresh fruit and vegetables produced in Arizona constitute the lone exception to the well-established rule that because of the lesser service performed by the railroads in connection therewith, that the rates thereon should rightfully be somewhat lower than those concurrently applicable from the more-distant California points to the same eastern destinations.

Fruit and vegetables constitute the greatest number of carloads of any class of traffic originating in Arizona and moving to eastern destinations. The length of the hauls thereon from Arizona is materially less than the length of the hauls on the same commodities originating in California. However, for some unaccountable reason, the Southern Pacific and Santa Fe have failed and refused and now fail and refuse, generally speaking, to accord the Arizona producers of fresh fruit and vegetables lower rates than those concurrently in effect from the more-distant California producing points to the same destinations.

Refrigeration

Until a few years ago the stated refrigeration charges on the enormous tonnage of fresh fruit and vegetables produced in Arizona on branch lines, including the Salt River Valley, and shipped to eastern points exceeded by approximately $30.00 per car the refrigeration charges concurrently maintained on the same products originating in California and moving through Arizona to the same destinations. At the present time the stated refrigeration charges from points in Arizona to eastern destinations are the same as those from the more-distant California points. However, relief from this condition, which was costing the Arizona producers hundreds of thousands of dollars annually, was only secured after a most strenuous fight by the Arizona Corporation Commission, hereinafter termed Arizona Commission, and others before the Commission.

On some other classes of refrigeration the charges demanded and exacted by the Southern Pacific and Santa Fe from Arizona shippers are substantially in excess of the applicable charges on California traffic for like service. Arizona shippers at the present time, for this class of refrigeration, are required to pay the war-time price of $5.50 per ton for ice, while the price of ice at Fresno, Stockton, Watsonville, Salinas, Guadalupe, and Los Angeles, Calif. is $3.50 per ton. The price of ice in Imperial Valley of California is only $5.00, or 50 cents per ton less than in Arizona.

Passenger Fares

The discrimination and prejudice against Arizona and its citizens did not stop with freight traffic. On the contrary, it extended to and included passenger fares. For many years prior to 1924, the passenger fares in Arizona, Nevada, and New Mexico, including the eastern portion of California, were materially higher than the fares throughout the nation. They ranged from 4.8 to 6 cents per mile on the main line and considerably higher

on branch lines. The Southern Pacific and the Santa Fe refused to reduce such fares. Thereupon, the Arizona Commission, through proceeding before the Commission, after a valiant fight, succeeded in forcing the lines serving Arizona to reduce their main-line fares to 3.6 cents per mile, which was and is the basic fare throughout the country. The Southern Pacific and the Santa Fe fought this matter strenuously and persistently, but the Arizona Commission successfully demonstrated the inequality of the fares charged the citizens of Arizona and the Commission unhesitatingly condemned them, thus effecting substantial savings for the people of the State.

Typical Examples of Discimination and Prejudice Against Arizona Industries by Southern Pacific and Santa Fe

The foregoing are representative examples of the general discrimination and prejudice against the public of Arizona by the Southern Pacific and the Santa Fe. Such discrimination and prejudice has been and is likewise leveled by these railroads against individual industries which seek to establish plants in Arizona, representative of which are the following: Former Arizona Packing Company, now the Tovrea Packing Company, and the Apache Powder Company. These companies and the economic benefits derived therefrom by the people of Arizona are well known. Therefore, they require no introduction. However, the public is not acquainted with the discrimination and prejudice by the Southern Pacific and Santa Fe against these companies. Therefore, it does not understand the numerous obstacles which confronted and now confront these important Arizona industries because of such discrimination and prejudice. Consequently, a brief resume follows:

The former Arizona Packing Company, now the Tovrea Packing Company, whose plant is located at Tovrea, Arizona, near Phoenix, began operation in September, 1920. Before that time it filed an application with the Southern Pacific and the Santa Fe for the establishment of equitable rates on its products from Tovrea to destinations within Arizona, New Mexico, and a

portion of the States of Texas and California. Such application was denied in toto. Thereupon complaints were filed jointly with the Commission and the Arizona Commission attacking the then-existing rates from Tovrea. Notwithstanding that such rates were the highest in the United States, the Southern Pacific and the Santa Fe left nothing undone to defend them. However, upon the showing made by the packing company, the Commissions, in 1923, reduced by approximately 52 per cent the rates assailed and awarded reparation to the complainant amounting to nearly $50,000 account of the excessive and unreasonable rates collected during the pendency of the proceeding.

Thereafter for a number of years the Tovrea Packing Company was accorded a rate parity with its competitors. However, within the last few years the Southern Pacific and the Santa Fe have again established and now maintain rates from the plants of the competitors of the Tovrea Packing Company which are clearly unjustly discriminatory and prejudicial against the local packer.

There is a great demand for fresh meat and packing-house products at Boulder City, Nevada by reason of the construction of the Hoover Dam. However, at the present time it is virtually impossible for the Tovrea Company to sell its products at that point because of the exorbitant freight rates established and maintained from Tovrea. These rates are more than 33 per cent higher than rates voluntarily established and maintained from the plants of the competitors of the Tovrea Company to Boulder City, yet the Southern Pacific, in a proceeding before the Commission less than sixty days ago, vigorously defended rates from Tovrea to Boulder City.

Consequently, in order to secure relief from this oppression of the Southern Pacific and the Santa Fe, the Tovrea Packing Company is forced, at enormous expense, to prosecute further proceedings before the Commission and the Arizona Commission. In the meantime its large plant at Tovrea would,

of necessity, be practically closed down were it impossible to secure truck transportation at reasonable rates.

The Apache Powder Company, whose plant is located at Curtiss, Arizona, near Benson, began producing explosives in May, 1922. Prior to that time it had sought through amicable channels an adjustment in the rates on explosives from Curtiss to both state and interstate points. The average distance from Curtiss to the explosive-consuming points in Arizona is 209 miles. The average distance from the plants of competing producers, located on the San Francisco Bay in California, to the same Arizona destinations is 1,027 miles. However, both the Southern Pacific and the Santa Fe absolutely refused to establish lower rates for the substantially shorter hauls from Curtiss to the principal consuming points in Arizona than the rates which they were then securing for the materially longer hauls from the California competing, producing points to the same destinations.

Consequently, the Apache Powder Company was likewise forced to file formal complaints with the Commission and the Arizona Commission. The latter Commission promptly reduced by approximately 50 per cent the rates from Curtiss to points within the State of Arizona. Thereupon, the Southern Pacific and the Santa Fe appealed to the Commission, contending that the rates prescribed by the Arizona Commission were too low. However, the Commission, after an extensive investigation, not only approved the rates prescribed by the Arizona Commission within the State, but contemporaneously condemned the interstate rates from Curtiss, and in lieu thereof prescribed for the future rates about 33-1/3 per cent lower than the rates defended by the Southern Pacific and the Santa Fe.

For several years thereafter the rates maintained from Curtiss to points within Arizona were on substantially the same level as those in effect from competing points. However, during recent years, the Southern Pacific and the Santa Fe, following their usual practices, have reduced many

of their rates from the plants of the competitors of the Apache Powder Company but failed and refused to make like adjustment in the rates from Curtiss to the same destinations.

In May, 1932 the Southern Pacific and the Santa Fe reduced all of their rates on explosives from the California producing points to all destinations within that State. The reductions ranged as high as 56 per cent. The Apache Powder Company sought like reductions in the rates from its plant to points in Arizona. Generally speaking, the Southern Pacific reduced the rates from Curtiss to points on its line and the lines of its short-line connections in Arizona, but the Santa Fe has failed and refused to take similar action. Consequently, the rates from Curtiss to points on the line of the Santa Fe in Arizona are substantially higher than those voluntarily established by it and now maintained within the State of California.

The mines are the principal consumers of explosives in Arizona. As is well known, they are practically closed down. Therefore, the principal market for explosives in the State is about 90 per cent subnormal. Thus, if it were not for the important fact that the Apache Powder Company can and does secure transportation by trucks to points in other states, its plant would likewise be practically shut down.

Rates on Copper from Arizona Are the Highest in the United States

For many years the copper producers of Arizona have been forced to pay the highest rates in the United States for the transportation of their copper to the refineries in the New York Harbor and Baltimore districts. The all-rail rates from Montana, Utah, and Nevada to the New York Harbor refineries for many years have been $12.50, and $13.50 per net ton, respectively. The all-rail rate from El Paso, Texas to New York Harbor for many years has been $12.00 per net ton. Concurrently the all-rail rate from Arizona copper producing points to New York Harbor for a like service has been and is $14.50 per net ton.

The rail-and-water rates from Montana and Utah points to New York Harbor for many years have been approximately $10.00 per ton compared with the rail-and-water rate of $12.50 per ton from Arizona producing points to New York Harbor.

COST TO THE PUBLIC OF ARIZONA IN ITS EFFORTS TO SECURE JUSTICE AND EQUITY AT THE HANDS OF THE SOUTHERN PACIFIC AND SANTA FE

It is impossible to actually determine the full extent that the public of Arizona has paid, and is paying, "tribute" through the medium of excessive, unreasonable, discriminatory, and prejudicial transportation rates, fares, and charges to the Southern Pacific and the Santa Fe, but it clearly runs into millions of dollars annually. Moreover, it is likewise impossible to compute the costs to the State and its industries in proceedings before the various tribunals in securing the relief already received.

However, the Arizona Commission alone, during the period June 1, 1921, to November 30, 1932, spent $9,279.07, not including charges for postage, telegraph, and telephone messages, salaries of the Commissioners and the Commission employees, or the full amount of traveling expenses, in defense of cases before the Commission instigated by the railroads for Fourth Section relief. In addition, for the same purpose, the Arizona Commission paid $1,200 as Arizona's proportion of expense incurred by the Intermediate Rate Association.

The defense of these Fourth Section cases is very expensive and especially burdensome when an individual state like Arizona, as in the last case, bears the burden of the defense. The Legislature in 1929 made a special appropriation of $5,000 for the Arizona Commission to be used in the defense of the pending Southern Pacific application. This amount was soon expended and the Arizona Commission was forced to drain its own appropriation to carry on the defense.

On the other hand, the money spent by the Southern Pacific in prosecuting its application is charged to operating expenses, which in the final analysis are paid by the general public.

Railroads Have Never Made Their Transportation Rates with Regard to Their Cost of Performing the Service

There are two theories of rate making, i.e., the cost of performing the service, and the value of the service. The latter theory is more commonly termed, "what the traffic will bear." Although the railroads have never had a complete transportation monopoly, they have in the past occupied the field with sufficient exclusiveness so that they have never found it necessary to make their transportation rates with respect to their operating costs. Consequently, they have always made their rates upon the theory of "what their traffic managers thought the traffic would bear", and in the majority of instances the rates thus made have been "all that the traffic would bear."

We will hereinafter show that the operating expense of the railroads in handling freight traffic is substantially lower than the motor-truck costs.

HIGHWAYS

As of December 31, 1930, according to the United States Bureau of Public Roads, hereinafter termed Bureau of Roads, there were 3,009,-066 miles of highways in the United States, classified as follows:

State Highway System..... 324,566

County and Local Roads.....2,684,500

Of this mileage 22,818 miles were within Arizona, classified as follows:

State Highway System..... 2,633

County and Local Roads.....20,185

MOTOR VEHICLES

The table below, taken from the Bureau of Roads, shows the motor vehicles registrations for the United States and the State of Arizona for the calendar years named. It will be noted that the year 1930 marks the peak of motor vehicle registrations, and that there was a material decrease in the number of motor vehicles registered in the year 1931.

Year	All Classes		Passenger Cars		Motor Trucks	
	United States	Arizona	United States	Arizona	United States	Arizona
1926	22,001,393	73,682	19,237,171	63,294	2,764,222	10,388
1927	23,133,241	81,047	20,219,224	68,597	2,914,019	12,450
1928	24,493,124	94,372	21,379,125	86,036	3,113,999	8,336
1929	26,501,443	109,013	23,121,589	98,327	3,379,854	10,686
1930	26,545,281	110,525	23,059,262	98,480	3,486,019	12,045
1931	25,814,103	105,572	22,347,800	92,939	3,466,303	12,633

Authority: United States Bureau of Public Roads.

The importance of motor vehicles in the agricultural industry is apparent from the table below showing the motor vehicles on farms for the year 1930, as taken from the U. S. Census of Agriculture.

	1	2	3	4	5	6	7
				% Of All:			
	Motor Vehicles	Passenger Cars	Motor Trucks	Trucks On Farms	Tractors	Telephones	Radios
United States	5,035,060	4,134,675	900,385	26.6	920,395	2,139,194	*
Arizona	12,978	9,916	3,062	28.6	2,558	2,672	2,352

* 12,078,345 families, or 40 per cent of 29,980,146 total city and farm families in the United States have radio sets. Radios on farms have been reported for only 27 states. Total farm radios in U.S. not yet available.

It will be noted that of the total trucks in the United States 26.6 per cent are on farms, while of the trucks in Arizona 28.6 per cent are on farms.

Present Levels of Freight Rates and Passenger Fares Are Substantially Higher Than the Prewar Levels, Although Current Prices of All Commodities and Farm Products Are Materially Below the Prewar Levels

The present general level of freight rates is between 30 and 40

per cent higher than the prewar level, and the present basic passenger fare is 80 per cent higher than the prewar level. However, the present general level of prices of all commodities transported, according to the United States Bureau of Labor, is 5.4 per cent lower than the 1913 prices. Moreover, present prices of farm products, according to the same authority, are 24.6 per cent below the 1913 prices. Based on the prices of commodities transported, freight rates at the present time are 50 per cent higher than in 1929. Therefore, it follows irresistibly that transportation charges by railroad, even now, constitute a greater relative burden upon industry than ever before, and at a time when industry has gravely impaired stamina to sustain the burden.

Railroads Cannot Truthfully Blame Trucks--They Would Regain Only Small Percentage of Traffic Lost if They Captured all Trucking

Apparently the railroads are taking advantage of the fact that the whole world has been, and now is, passing through the most devastating depression in history as an opportune time, through hook or crook, to wipe out the possibility of competition with their lines, thus enabling them to continue to make their transportation rates, as in the past, based "upon what they think the traffic will bear", without any regard whatsoever to their costs of performing the service.

Much propoganda has been widely diseminated by the management of the railroads, some of their employees, and other allied interests, at the expense of the general public, that the trucks are responsible for the drastic decline in railroad traffic. These interests cannot truthfully blame the trucks. The railroads would regain only a small percentage of traffic lost if they captured all trucking. The solution of the railroad problem is not a matter of truck legislation. If truck transportation were entirely eliminated and the railroads were able to add all of the motor freight to the present volume of railroad freight, the railroads would not benefit materially.

In the 15 Per Cent case the Director of the Bureau of Railway Economics estimated that truck transportation in 1929 amounted to 16.25 billion ton-miles. No estimate is available for the year 1932, but it is questionable whether it would reach the 1929 figure. While trucks may now be hauling part of the freight which the railroads handled in 1929, it is reasonable to believe that this has been more than offset by a curtailment of the 1929 truck traffic as a result of the general depression. Consequently, the 1929 figure on truck transportation may fairly be taken as a maximum amount handled by trucks in 1932.

During the first seven months of 1932, railroad freight amounted to 147 billion ton-miles, indicating a total of 258 billion ton-miles for the entire year. The addition of the trucks' 16.25 billion ton-miles would thus increase railroad freight traffic by only 6.3 per cent. Such a gain would restore only 12.2 per cent of the volume of railroad traffic lost since 1929, and the railroad freight would still be 44.3 per cent below the 1929 volume.

It is thus evident that the railroads would not improve their position greatly even if they could obtain all of the freight which the trucks are now transporting. The railroads' chief need, aside from consolidations, pooling, elimination of huge deficits in passenger and allied services, and material reduction in the exorbitant salaries of their executives, is the freight which has disappeared since 1929, amounting to 234 billion ton-miles. The revival of this freight, which has ceased to exist, would increase railroad traffic by 90.7 per cent as compared with the gain of 6.3 per cent which would result if the railroads could obtain all of the truck freight.

The solution of the railroad problem, consequently, depends upon a sufficient reduction in the exorbitant freight rates to stimulate the movement of that freight which is not now being carried at all because of the present high costs of transportation.

The railroads blow hot and cold. In 1931 they sought authority of the Commission and various State Commissions to increase by 15 per cent all freight rates and charges. Hearings were held by the Commissions at various points throughout the United States. Evidence of record showed the movement of traffic by trucks. The shippers of the nation took the position that an increase in freight rates, sought by the railroads, would not produce increased revenue, but, on the other hand, would result in driving a great volume of traffic to the trucks. In this connection, the Commission, in its decision, at page 574, stated:

> "The railroads introduced evidence to show that it would be feasible for the trucks to divert only a small amount of additional traffic if even rates were increased."

Notwithstanding this sworn evidence of the railroads in that proceeding to the contrary, they were then, and now are, blaming the trucks for the decline in railroad revenues. "Consistency, thou art a jewel."

No less an authority than the Commission itself recognizes that truck legislation will not greatly improve the condition of the railroads. In its decision in the 15 Per Cent case, the Commission, at page 581, stated:

> "The most effective remedy for the immediate ills of the railroads is the economic recovery of the country. The present low earnings are not the result of low rates but reflect general industrial conditions. The earnings will continue to reflect those conditions just as they have in the past."

Thus, it is clear that what the railroads need is the economic recovery of the country and not truck legislation, much less truck strangulation.

Much of the traffic now being handled by trucks is that which the railroads previously contended was unprofitable to them. Before the Commission in Arizona Corporation Commission v. A.E.R.R.Co., 113 I.C.C. 52, 60, involving class rates between points in Arizona, on the one hand, and points in California, New Mexico, also El Paso, Texas, on the other hand, in 1923,

the railroads submitted study purporting to show their terminal costs of handling less-than-carload traffic. In connection therewith the railroads urged, as stated by the Commission in its decision, at page 60, that the terminal costs at Phoenix and Tucson, for example, of handling the traffic was 29.81 cents per 100 pounds. Consequently, they urged that the Commission prescribe base rate of 61 cents on first-class traffic to produce an average of 41.4 cents on all traffic moving on the first four classes for distances of 5 miles and under. Moreover, that such scale should increase as the distance increases. At 380 miles the railroads proposed first-class rate of $2.30.

The Commission prescribed first-class rates of 25 cents for 5 miles and under, and $1.51 for 380 miles, and relative rates for the longer distances. However, the railroads contend that they are losing money because trucks are handling some of that traffic. Thus, the question arises, was their sworn evidence before the Commission true and correct? If so, then it is apparent that the trucks by handling the traffic are really assisting the railroads to save money.

Furthermore, the controlling reason why freight is being moved by trucks is chiefly because of the lower rates and, in many instances, superior service thus obtained. If it were necessary to ship this freight by railroad at the present level of railroad freight charges, there is considerable probability that it would not be shipped at all. This would have a tendency to further depress general public activity to an even lower level than it is at present, and so deprive the railroads of part of the freight which they are now handling. It thus follows, contrary to the contention of the railroads, that motor-truck transportation is helping, rather than hindering the railroads at the present time.

In fact, during the year 1931, as shown by report of the Commission, the railroads in the United States originated a total of 410,845

carloads of motor vehicles, including trucks, parts, and tires which yielded them $76,672,315 revenue. Of these commodities, the lines in the Western District originated 75,108 carloads which produced revenue of $30,990,107. Of these commodities, during that year, the Santa Fe originated 2,491 carloads and secured $3,257,974 revenue. The Southern Pacific (Pacific Lines) originated 11,081 carloads and procured revenue of $3,771,206. Of course, this does not include the enormous tonnage of gasoline and refined oils transported for use by motor vehicles.

In addition to rates, advantages which the trucks offer to the shipper are their rapid and flexible service, store-door receipt and delivery, the transportation at carload rates of much smaller lots than are possible by railroad, and elimination of costly railroad packing requirements.

Trucks do not handle passengers. Consequently, they cannot be blamed for the staggering annual losses of approximately $450,000,000 in the passenger and allied services of the railroads, hereinbefore referred to.

Motor Vehicles Pay More Taxes Than the Railroads

The railroads in their efforts to strangle their competitors, contend that the Government is subsidizing motor carriers by the construction and maintenance of public highways. The railroads urge that they are taxed for such work but that the Government permits the motor carriers to use the highways without being taxed therefor. Here again the facts are perverted. The truth and fact of the matter is that the motor carriers pay more than 200 per cent <u>greater</u> taxes than the railroads of the United States, as definitely shown by the following table:

Year	UNITED STATES: Class I Railways	UNITED STATES: Motor Vehicles Registration Fees: Gasoline Tax: Personal Property & Municipal Taxes	ARIZONA: Class I Railways	ARIZONA: Motor Vehicles Total Net Gasoline Taxes & Registration Fees
1928	$389,992,524	$795,887,967	$2,980,062	$2,584,008 (a)
1929	397,255,774	928,155,062	3,313,548	3,308,396 (a)
1930	349,206,555	1,000,388,270	3,099,837	3,404,645 (a)
1931		1,025,735,112		3,971,796 (a)

(a) Does not include personal property & municipal taxes or the gross earnings taxes (of 2½ per cent on trucks, and 2 per cent on busses) collected by State of Arizona from common carrier motor vehicles.

It will be noted that in 1930 the registration fees and gasoline, personal property and municipal taxes of the motor vehicles were over one billion dollars, compared with but slightly over 349 million for the Class I railroads of the United States. Moreover, that merely the net gasoline tax and registration fees paid by motor vehicles in Arizona during the year 1930 amounted to $3,404,645, exclusive of the personal property and municipal taxes, or the gross earnings tax of 2½ per cent on trucks and 2 per cent on busses collected by the State from common-carrier motor vehicles, compared with but $3,099,837 taxes paid by the Class I railroads in the State.

In 1931 all Federal, State, and local taxes in the United States amounted to $10,250,000,000; thus, motor vehicles paid 10 per cent of all taxes in that year.

The following table, taken from reports of the Bureau of Roads, shows gasoline tax receipts exclusive of refunds, for the United States and the State of Arizona, for each of the calendar years 1926 to 1931, inclusive:

Year	United States	Arizona
1926	$187,603,231	$ 978,264
1927	258,838,813	1,388,830
1928	304,871,766	2,018,202
1929	431,311,519	2,559,831
1930	494,683,410	2,670,019
1931	536,397,458	3,204,288

It will be noted that the gasoline tax in Arizona increased from $978,246 in 1926 to $3,204,288 in 1931--an increase of $2,226,024, or more than 227 per cent. Thus, it follows irresistibly that the railroads are being increasingly relieved of contributing to funds used for highway purposes.

Truck Expense of Performing Transportation Is More Than 990 Per Cent Greater Than the Expense of Freight Transportation by the Railroads

As previously stated, although the railroads have never had a complete transportation monopoly, they have in the past occupied the field with sufficient exclusiveness so that they never found it necessary to make their rates with respect to their costs of performing the service. Therefore, they based their rates almost solely upon "all that their traffic managers thought the traffic would bear", thus opening the door to effective competition. In this connection, the Commission, in the 15 Per Cent case, at page 585, stated:

> "So far as rates are concerned, it is clear that the present structure has developed under principles and theories which gave no thought to the competitive agencies of transportation which now exist. As a result, the rates often open a door to effective competition which might well be closed. It is evident that the traffic departments (of the railroads) must give new thought to the rate structure in the light of existing conditions."

The following table, taken from report of the Commission, shows the average freight expense per freight gross ton-mile of the railroads for the United States as a whole, Western District, and the Southern Pacific (Pacific Lines) for the years named, stated in mills.

Year	United States (Mills)	Western District (Mills)	Southern Pacific (Pacific Lines) (Mills)
1927	3.09	2.90	2.86
1928	2.95	2.77	3.03
1929	2.92	2.74	3.03
1930	2.83	2.65	2.87
1931	2.75	2.57	2.77

It will be noted that the expense per freight gross ton-mile has materially declined since 1927. In fact, there has been a substantial reduction since 1929.

The foregoing railroad expenses are but mere fractions of the expense per gross ton-mile incurred by trucks. The United States Department of Commerce made a study of truck operations at various points throughout the United States, including California and Arizona, involving forty-five truck lines, for which it secured cost data. Its report, dated late in 1932, includes three classes of trucks, i.e., medium capacity trucks, $1\frac{1}{2}$ to 3 tons; heavy duty trucks, over $3\frac{1}{2}$ to 5 tons; and extra heavy duty trucks over 5 tons. Its report shows that the costs fluctuated from 6.63 to 33.81 cents per truck mile and averaged 18.05 cents per truck mile. Based upon the average weight of the net loads and the average weight of the trucks of the three classes, the report shows that the average truck expense per gross ton-mile is 3.018 CENTS.

Therefore, the average truck expense per gross ton-mile under existing conditions exceeds the average freight expense of 2.77 MILLS per gross ton-mile of the Southern Pacific (Pacific Lines) by nearly 990 per cent. From the foregoing table it will be noted that the freight expense per gross ton-mile of the Southern Pacific is .02 of a mill higher than the average for the United States as a whole, and .20 of a mill higher than the average for the Western District.

Consequently, it is apparent that the railroads alone are responsible for the diversion of freight traffic from their rails to trucks, because of their failure to make their rates with regard to their costs of performing the service. With truck costs more than 990 per cent greater than the railroad costs, surely the railroads have no one to blame but themselves if their rates are maintained on such high levels that the traffic is forced from their rails. The Commission, in the 15 Per Cent case, at page 584, stated:

> "So far as freight service is concerned, the railroads have so many and so great inherent advantages of economy, particularly in the case of the longer hauls and the heavier traffic, that we cannot believe that they will not be able to withstand the competition of the motor trucks. It may be that some traffic must permanently be surrendered to the trucks, but for the most part it is traffic on which the railroads have always claimed that they lost money. To meet this situation effectively, however, it is evident that radical changes in railroad service and rates must be made."

Therefore, as the truck expense of performing transportation is more than 990 per cent higher than the expense of freight transportation by the railroads, as previously shown, and with the railroads already having so many and so great inherent advantages of economy, as stated by the Commission, it follows irresistibly that truck legislation is clearly unnecessary in the interest of justice and equity to the railroads. Consequently, the railroads propaganda to the contrary is thin air.

Apparently, with the many and great advantages in their favor, they could, if they so desired, drive the trucks from the highways. But, of course, in order to accomplish this, the railroads would of necessity be forced to make their rates with respect to their costs of performing the service. They do not want to do this because it would mean the scrapping of their pet theory of making rates on the principle of "all that their traffic managers think the traffic can bear." This antiquated principle of rate making of the railroads should have been relegated to the scrap pile long ago. It is wholly repugnant to progress and present conditions. Apparently, even the railroads themselves recognize this important fact, because within the last two years they have reduced numerous rates so as to either retain traffic on their rails or recapture that which had been previously driven, because of extortionate rates of the railroads, to trucks.

Now, in the guise of legislation, the railroads are asking the American public to strangle the trucks in order that the railroads may not

find it necessary to make their rates with respect to their costs of performing the service. In other words, the railroads are asking the public to turn the hands of progress backwards; thus avoiding the necessity for the railroads (a) continuing in effect the rates which they have reduced; (b) making additional reductions in their exorbitant rates, fares, and charges; and (c) speeding up their service, thereby giving the public "a new deal."

It is inconceivable that the American public will thus needlessly commit economic suicide and thereby subject posterity to the further arbitrary, inconsistent, and wholly unequitable actions of the railroads. If it were to do so, thus eliminating the possibility of competition, the railroads would, without a doubt, immediately increase the rates which they have reduced. Thus, the citizens of Arizona would be immediately called upon to pay tribute of at least $3,000,000 annually to the railroads.

This fact is self-evident. The railroads serving the State have already published many reduced rates with expiration dates between March 1 and July 2, 1933, after which date the tariffs provide that the materially higher rates previously in effect will again become effective. Obviously they anticipate that the coming Legislature will enact truck legislation which will have the effect of eliminating the truck competition which compelled them to reduce the rates referred to. If such legislation is not adopted, truck competition will continue and these temporary rates will, no doubt, be made permanent.

Moreover, if truck competition is blotted out, as the railroads desire, then they would refuse to reduce any rates, notwithstanding that the general levels of freight rates and passenger fares are now,

as previously shown, more than 30 and 80 per cent, respectively, higher than the prewar levels, although the current prices of all commodities transported, and products of agriculture are more than 5 and 24 per cent, respectively, below the prewar prices.

PUBLIC OF ARIZONA IS NOW SAVING NEARLY TWO MILLION DOLLARS ANNUALLY BECAUSE OF TRUCK COMPETITION ON FIVE COMMODITIES ALONE

Cotton

Based upon the production of 119,000 bales of cotton in Arizona for 1931, as reported by the United States Department of Agriculture, truck competition with the railroads has saved and is saving the cotton producers of the State between $246,925 and $324,275 per annum depending upon whether the cotton is compressed or uncompressed. The saving to the cotton producers because of the existing truck competition with the railroads is $2.07½ per bale on compressed cotton, and $2.72½ per bale on uncompressed cotton. If all of the cotton produced were shipped in compressed form, the saving would amount to $246,925 per annum. If it were shipped in uncompressed form, then the saving would amount to $324,275 per annum.

This saving is brought about because the railroads serving Arizona have reduced their rates to meet the rates charged by the trucks. To illustrate the situation, we will use Phoenix as representative of the Arizona producing points. Prior to the advent of the trucks, the rates from Phoenix to Los Angeles Harbor on compressed cotton and uncompressed cotton were 66½ and 84½ cents, respectively. The present rates are 32 and 37 cents, respectively. The railroad tariff containing these rates specifically provides that they were established to meet truck competition. Therefore, the reduction of 34½ cents in the rate on compressed cotton, and 47½ cents per 100 pounds in the rate on uncompressed cotton is clearly the result of

truck competition with the railroads. As a bale of cotton weighs approximately 500 pounds, this reduction amounts to $1.72½ per bale on compressed cotton, and $2.37½ per bale on uncompressed cotton. That is not all. Where the trucks handle the traffic the shipper is not forced to load his freight or bear the expense of such work, which he is forced to do in case he ships by railroad. Therefore, the railroads have recognized this advantage to the shipper when using truck transportation, and they have, by proper tariff authority, agreed to either load the cotton on the railroad cars or pay the shipper 35 cents per bale when he loads the cars. Thus, the saving to the shippers by reason of the truck competition is increased from $1.72½ to $2.07½ on compressed cotton, and from $2.37½ to $2.72½ on uncompressed cotton.

The present rates of 32 cents on compressed cotton, and 37 cents on uncompressed cotton are now published to expire June 30, 1933, and rates of 37 cents on compressed cotton, and 55 cents on uncompressed cotton, are published to become effective July 1, 1933. Obviously, the railroads are confident that the members of the coming Legislature will strangle the trucks in the guise of regulation, and that such legislation will become effective not later than July 1, 1933. Therefore, the railroads have already served notice upon the public that in such case they will immediately increase their rates.

The proposed increase from 32 to 37 cents is equivalent to 25 cents per bale on compressed cotton, or $29,750 on 119,000 bales. The proposed increase from 37 to 55 cents is equivalent to 18 cents per 100 pounds, or 90 cents per bale on uncompressed cotton. Based upon the production in Arizona in 1931, this increase, which would be borne by the cotton producers, is equivalent to $107,100 per annum.

It is unthinkable that the members of the coming Legislature would penalize the down-trodden cotton producers of the State of Arizona $29,750, much less $107,100 per annum.

Cottonseed Oil

The savings above referred to are not the sole economies to the cotton producers of the State because of truck competition with the railroads. Several months ago, to meet truck competition, the railroads reduced their rates on cottonseed oil to Los Angeles from the Salt River Valley from 50 cents to 40 cents, and from Tucson and related points from 55 cents to 45 cents--a reduction of 10 cents per 100 pounds, or approximately $60.00 per 8,000 gallon carload. Authentic data as to the volume of the movement of cottonseed oil between the points named are not available. Therefore, it is impossible to state the aggregate amount of the saving to the cotton producers thereon.

Hay

Based upon the production of hay in Arizona for 1931 of 370,000 net tons, as reported by the United States Department of Agriculture, truck competition with the railroads has saved and is saving the hay producers of the State $740,000 per annum in transportation costs. Based upon the average production of 2.94 tons per acre, this is equivalent to a reduction in production and distribution costs of $5.98 per acre per annum. Based upon the average production of 5 tons per acre in Salt River, Yuma, and Gila Valleys, truck competition has and is enabling the hay producers in those sections to save $10.00 per acre per annum.

Prior to the advent of truck competition with the railroads, the Commission in Arizona Hay Traffic Asso. v. A.E.R.R.Co., 107 I.C.C. 591, prescribed rates of 35½ cents and 45 cents per 100 pounds on hay, in carloads, from the Salt River Valley and Gila Valley, respectively, to Los Angeles group points. The rate then in effect from the Yuma Valley was 26½ cents, and the concurrent rate from the Imperial Valley of California to the Los Angeles group points was 25 cents. The rates prescribed by the Commission became effective early in 1926.

Immediately thereafter the Southern Pacific made two reductions in the rate from the Imperial Valley to Los Angeles: First to 20 cents, and later to 15 cents. These reductions enabled the California hay shippers to shut the Arizona producers out of Los Angeles. The Arizona producers were joined by various chambers of commerce and other civic organizations in an application to the Southern Pacific and Santa Fe for a reduction in the rates on hay from Arizona producing points to Los Angeles. This application was denied on the ground that the railroads had reduced the rate from Imperial Valley to southern California because of truck competition. The railroads pointed out that there was no truck competition from the Arizona producing points to Los Angeles or other southern California points. Consequently, they refused to reduce the rates from Arizona. About that time the Arizona producers made arrangements with various common carrier trucks to transport hay from the Yuma, Salt River, and Gila Valleys to Los Angeles and other southern California points. The railroads learned of this and immediately reduced the rates from Arizona producing points to Los Angeles and other southern California points as follows:

Yuma Valley from 26½ cents to 16 cents--a reduction of 10½ cents per 100 pounds, or $2.10 per ton. Salt River Valley from 35½ cents to 25½ cents per 100 pounds--a reduction of 10 cents per 100 pounds, or $2.00 per ton. Gila Valley from 45 cents to 35 cents--a reduction of 10 cents, or $2.00 per ton.

The argument may be made that as all of the hay produced in Arizona does not find a market in southern California that the Arizona producers are not making the savings above shown. Any such contention is unsound. The reductions from Arizona to southern California have brought about reductions in the rates from Arizona producing points to practically all of the states east of the Mississippi River. Shortly after the estab-

lishment of the reduced rates to Los Angeles and Los Angeles Harbor, the Arizona producers began moving a substantial tonnage by water from Los Angeles Harbor to the eastern seaboard and inland points, whereupon the rail lines made substantial reductions in their rates from Arizona producing points to the territory east of the Mississippi River.

Moreover, the railroads have reduced many of the rates on hay from Arizona producing points to numerous other points within the State of Arizona in order to meet truck competition.

If the trucks are strangled, as the railroads are trying to do, then the railroads will, no doubt, immediately cancel the rates which they have published to meet truck competition, thus forcing the Arizona producers to pay the exorbitant rates, or a total of $740,000, charged them before the advent of truck competition.

The present rates on hay from points in Arizona, which were established to meet truck competition, are fully remunerative to the railroads. In fact, the revenue yielded thereby exceeds the operating expense by more than 100 per cent. For example, a carload of hay moving from Phoenix to Los Angeles at the present rate of 25½ cents yields freight revenue of $71.45, and the operating expense is only $34.72, based upon the expense per gross ton-mile of 2.77 mills for the Southern Pacific for the year 1931. Consequently, the carload revenue of $71.45 exceeds the carload operating expense of $34.72 by $36.73, or 105.8 per cent. Therefore, while the present price received by the producer for his hay is insufficient to pay his cost of production, the railroads, even under their reduced rates, receive nearly 106 per cent greater revenue than their operating expense of transporting the hay.

Refined Petroleum Products

Truck competition with the railroads based upon the 73,068,179 gallons of taxable gasoline distributed within the State of Arizona during

the calendar year 1931, as reported by the Arizona Highway Department, resulted in a minimum saving of $730,681.79 to the citizens of Arizona. This does not include the savings effected by the State, Counties, or Municipalities on gasoline. Neither does it include the savings effected on numerous other classes of refined petroleum products.

The Standard, Union, and Shell Oil Companies, hereinafter collectively termed Oil Companies, recognized more than ten years ago that the rates on refined petroleum products were clearly too high. At that time the rates ranged from 98½ cents to $1.19 per 100 pounds. They filed complaint with the Commission, which, after an extensive investigation, prescribed a maximum rate of 80 cents from southern California to all points in Arizona on May 3, 1926, Associated Oil Co. v. A.E.R.R.Co., 112 I.C.C. 350.

The Oil Companies were not satisfied with this decision. The rate of 80 cents was substantially higher than all other rates on the same commodities in the same general territory. Consequently, they joined the Arizona Commission in their complaint before the Commission, attacking the rates on refined petroleum products from Southern California to all points in Arizona. After further hearing and investigation the Commission prescribed a maximum rate of 70 cents per 100 pounds from southern California to all points in Arizona. This rate became effective September 30, 1929.

The Oil Companies reduced their prices on refined petroleum products to the general public of the State to reflect the reductions made by the Commission. However, they still recognized that the rate of 70 cents for an average haul of only 507 miles, was still too high, and a burden on the citizens of Arizona. Therefore, they began moving gasoline from southern California to southern Arizona points by truck early in 1931. By so doing they secured a reduction in their transportation costs. They passed these reductions on to the general public in southern Arizona by reducing the prices of gasoline. The reduction at Phoenix, for example,

was 2 cents per gallon, although the reduction in the cost of transportation to that point was but 1.65 cents per gallon.

The Oil Companies continued to truck gasoline to southern Arizona. In July, 1931, the railroads reduced their rates on refined petroleum products from southern California to points in Arizona as follows:

	Yuma	Gila Bend	Phoenix	Tucson	Nogales	Globe & Miami
	(Cents)	(Cents)	(Cents)	(Cents)	(Cents)	(Cents)
From	40	70	70	70	70	70
To =	25	35	45	50	55	60
Reductions:	15	35	25	20	15	10

It will be noted that the reductions ranged from 10 cents at Globe and Miami to 35 cents at Gila Bend. These reduced rates apply as maximum at directly intermediate points. For example, the 60-cent rate named to Globe and Miami applied and now applies to all points east of Tucson, including Benson, Willcox, Bowie, Solomon, Safford, Thatcher, and Ft. Thomas, etc. The reductions made in the prices of gasoline to the consumers in the State of Arizona run as high as 2 cents per gallon. A fair average of these reductions is apparently 1 cent per gallon throughout the entire State, or a reduction in the cost to the general public for gasoline alone of $730,681.79 per annum because of truck competition with the railroads.

During the year 1931 there were 29,984,928 taxable gallons of gasoline distributed in Maricopa County. This is 41.04 per cent of the total taxable gasoline distributed in the State for that year. The reduction made by the Oil Companies in the price of gasoline in Maricopa County was 2 cents per gallon, although as previously stated the reduction in transportation costs was but 1.65 cents per gallon. Based upon the latter figure, the saving to the Oil Companies in transportation costs of gasoline to Maricopa County was $494,751.31. However, they passed on to the consuming public in Maricopa County $599,698.56 in the form of reduced prices.

Obviously, if the citizens of Arizona turn back the hands of progress by restrictive legislation on trucks, the railroads will immediately take advantage of the situation and increase their transportation charges, thereby extracting from the general public more than $730,000 per annum for the transportation of taxable gasoline, to say nothing of that which is not taxed, or other classes of refined petroleum products.

Wool and Mohair

By trucking the wool produced in Arizona to Los Angeles Harbor, the wool producers of the State have effected a saving of $64,796.03 during the years 1930, 1931, and 1932--an average annual saving of $21,598.68.

The United States Department of Agriculture shows that there were 1,130,000, 1,107,000, 1,080,000, 1,112,000, and 1,190,000 head of sheep and goats on farms in the State of Arizona on January 1 for the years 1928, 1929, 1930, 1931, and 1932, respectively, with farm value per head of $9.30, $9.60, $8.00, $4.80, and $2.30, respectively. The same authority shows weighted average price of wool as 36.7, 30.9, 23.3, and 13.9 cents per pound for the years 1928, 1929, 1930, and 1931, respectively.

With the huge slump in the farm prices of sheep and goats and the killing drop in the price of wool, the Arizona sheepmen found it necessary to cut their excessive marketing costs if they were to survive and continue in business. The freight rate on wool at that time via all rail from Arizona, Phoenix as representative, to Boston was $2.58 per 100 pounds. However, the rate via the rail-and-gulf route through Galveston, Texas was $2.38, but even this lower rate was clearly out of reach of the sheepmen owing to the exceptionally low prices of sheep and wool.

Therefore, it was necessary to seek other means or routes of transportation. The water rate from Los Angeles Harbor, only 442 miles from Phoenix, to Boston was $1.00. However, the rail rate from Phoenix

to Los Angeles Harbor at that time was $1.16. Obviously, this rate for a haul of only 442 miles was clearly excessive. It was the highest rate in the United States for similar distances. All other points in the Western District of the United States, other than Arizona points, for similar hauls to the Pacific Coast were paying rates of 91 cents and under.

The wool growers sought a reduction in the rates on wool from points in Arizona to Los Angeles Harbor through amicable channels with the railroads, but their application was denied. Then they caused complaint to be filed with the Commission, which was decided favorable to their contention late in 1930, and the Commission prescribed, as representative, rate of 91 cents from Phoenix to Los Angeles Harbor.

However, during the time this proceeding was pending with the Commission, the wool growers ascertained that they could effect an average annual saving of $21,598.68 by shipping their wool by truck from points in Arizona to Los Angeles Harbor, and thence moving it by water to Boston. This arrangement became effective early in 1930 and since that time substantially all of the wool produced in the State of Arizona has moved by truck to Los Angeles Harbor, and thence by water, resulting in an aggregate saving to the wool growers of the State of Arizona of $64,796.03.

Subsequent to 1930 the railroads have reduced the rate from Phoenix to Los Angeles Harbor of 91 cents set by the Commission to 90 cents. However, in order for the wool producers of the State to divert their wool from the trucks to the railroads and still effect the saving they are now making by using the trucks, it would be necessary for the railroads to reduce the rate from Phoenix to Los Angeles Harbor from 90 cents to 33 cents--a reduction of 57 cents per 100 pounds--and make like reductions from other Arizona points.

Obviously, if the efforts of certain interests should prevail and the trucks be legislated off of the highway, then the wool growers of the

State of Arizona will be forced to pay tribute to the railroads to the tune of 57 cents per 100 pounds, or more than $21,500 per annum.

Explosives

The present rates of the railroads on explosives from Curtiss to the principal consuming points in this territory, because of truck competition, are about 46 per cent lower than the rates in effect prior to the advent of truck competition. Thus, the distribution cost of the Apache Powder Company has been reduced slightly more than $63,000 per annum. This is a direct saving to the mining companies of the State, who own the Powder Company.

In addition, truck competition has enabled the Powder Company to secure business in territories which it could not enter heretofore because of the excessive rates of the railroads from Curtiss. Consequently, notwithstanding that the consumption of explosives in Arizona at this time is practically negligible, compared with the consumption in normal times, the Powder Company has thus been able to continue its operations, thereby giving employment to more than one hundred persons. That is not all. For each pound of powder produced, the railroads haul four pounds of raw materials to Curtiss. Therefore, the continued operation of the Powder Company has been, and is, a real benefit to the railroads themselves.

If truck competition is eliminated, no doubt, the railroads would immediately increase the rates from Curtiss which they have reduced. Furthermore, following their usual policy, they would refuse to reduce the exorbitant rail rates now in effect from Curtiss to territories outside the State of Arizona, where the Powder Company is now distributing the preponderance of its products by truck. Therefore, the Powder Company would be forced to greatly curtail its operations, if not close down, under present conditions.

Recapitulation

The following table shows the annual savings to the public of the State of Arizona on these five commodities alone, because of truck competition with the railroads:

Cotton	$ 285,600.00
Hay	740,000.00
Refined Petroleum Products	730,681.79
Wool	21,598.68
Explosives	63,176.99
	1,841,057.46

Additional Savings Account Truck Competition

The public of Arizona, because of truck competition with the railroads, is receiving many additional benefits. For illustration, take the Tovrea Packing Company. For many years the principal markets for its products were Arizona points. However, as the mines are closed down, these great markets have practically vanished. Therefore, in order to continue operation, the Packing Company was forced to seek an outlet for its products elsewhere. Such markets were found, but the extortionate rail rates and slow service prevented the Packing Company from entering them. The railroads refused to reduce their rates. Consequently, the only alternative was for the Packing Company to secure truck transportation.

Therefore, it has been, and is, moving more than a million pounds of its products each month by truck for the reasons stated. A substantial portion of this business could not move by railroad, even under the same rates now being paid for truck transportation, because the railroads admit that they cannot handle the traffic as expeditiously as it is now being handled by truck. Therefore, adverse truck legislation would not assist the railroads. On the other hand, it would seriously and irreparably damage the stockholders of the local packing company. It annually spends an average of $3,170,000 for livestock, and $884,000 for materials

and supplies. The greater part of this money is paid to citizens of the State. In addition, its average telegraph and telephone tolls is $14,000, and it pays the railroads, including the Express Company, an average of $274,000 per annum. This does not include the substantial payment for truck transportation. It employes an average of 325 persons and its annual payroll averages $429,000. Its State, County, and Municipal taxes on property in Arizona alone is approximately $23,000 per annum.

Mr. P. E. Tovrea, President of the company, after a comprehensive investigation, advises that if the oppressive and destructive 7,000 pound maximum load limit on trucks is established, that the amount of money spent by his company for livestock; materials and supplies; freight charges; telegraph and telephone tolls; and payrolls in the State of Arizona, will be reduced at least 33-1/3 per cent, or a reduction of $1,590,333 per annum.

The foregoing is simply representative of the great and many benefits being derived by the public of Arizona by reason of truck competition with the railroads. Many thousands of additional reductions in the freight rates of the railroads to meet this competition could be cited. However, time and space will not permit. Therefore, the following table shows representative interstate rates between points in Arizona and points in other states on representative commodities.

Point of Origin	Destination	Commodity	Prior Rate (Cents)	Present Rate (Cents)	Reduction of (Cents)
Curtiss	Azusa	Explosives	173	35	138
Phoenix	Los Angeles	Fruits, citrus	78	50	28
"	San Francisco	" "	92	77	15
"	Los Angeles	Hides, green	83	45	38
Yucca	" "	Pipe, secondhand	76	48	28
Kingman	" "	Machinery, secondhand	76	48	28
Phoenix	" "	Seed, alfalfa	83	45	38
Los Angeles	Curtiss	Ammonia, nitrate of	99	50	49
" "	Kingman	Balls, steel crushing	54	35	19
San Francisco	Phoenix	Bags and Bagging	92½	80	12½
Stockton	"	Beans, dried	105	75	30
Los Angeles	"	" "	83	50	33
San Francisco	"	Beverages, cereal	85	60	25
" "	"	Canned goods	82	66	16
Los Angeles	"	" "	66	50	16
San Francisco	"	Drugs	154	100	54
Fresno	"	Fruit, dried	124	70	54
San Francisco	"	Fruit, fresh	92	77	15
Los Angeles	"	" "	75	50	25
" "	"	Implements, agricultural	83	50	33
" "	Curtiss	Nitrocellulose, wet	138	70	68
Los Angeles	Phoenix	Roofing, prepared	70	50	20
San Francisco	"	Rugs and Carpets	115	80	35
Los Angeles	"	Salt	42	34	8
San Francisco	"	Soap	104	70	34
Los Angeles	"	"	83	50	33
San Francisco	"	Sugar	73	50	23
Los Angeles	"	"	61	38	23
" "	Kingman	Tinware	91	50	41
San Francisco	Phoenix	Vegetables, fresh	92	77	15
Los Angeles	"	" "	75	50	25

It will be noted that in order to meet truck competition, the railroads made an average reduction of 47.4 per cent in the rates on the representative commodities moving from points in Arizona to points in California. Moreover, that for the same purpose the railroads made an average reduction of 33.04 per cent in the rates on representative commodities moving from points in California to points in Arizona. In fact, the average reduction thus made by the railroads on the representative commodities named in the foregoing table from and to Arizona is 36.42 per cent.

Both the interstate and state class rates have been reduced by the railroads to meet truck competition. They now include pick-up and delivery service without any additional charge. This innovation on the part of the railroads was necessary to meet truck competition.

Furthermore, the rates between points in Arizona on practically all commodities have been reduced by the railroads to meet truck competition.

Rates on Copper from Hayden, Arizona to Los Angeles Harbor Reduced by Railroads to Meet Truck Competition

As previously shown, the rail rates on copper from Arizona to eastern refineries and consuming points are the highest in the United States.

In order to decrease their cost of transportation, some of the mines in the State were desirous of moving their copper by rail to Los Angeles and thence by water to New York or Baltimore. The water rate from Los Angeles Harbor to these points ranges from $3.00 to $4.00 per ton. However, these Arizona producers were unable to move their copper westward because of the exorbitant rail rates. For example, the rate on copper from Hayden, Arizona to Los Angeles Harbor, a distance of 538 miles, was, until a short time ago, $23.60 per ton.

The Nevada Consolidated Copper Company sought a reduction in this rate from the Southern Pacific. It was denied relief. Thereupon, it began trucking copper from Hayden to Los Angeles Harbor. It moved five hundred tons or more in this manner at rate of $6.00 per ton, or $17.60 per ton less than the rail rate. The Southern Pacific and its connections serving Los Angeles Harbor then reduced their rate to $6.00 per ton to meet this competition. Therefore, the present rate from Hayden to Los Angeles Harbor, established to meet truck competition, is $6.00 per ton. However, said rate is materially higher than the concurrent rates from

the Montana and Utah competing points to the Pacific Coast, also from El Paso to Houston, distance considered, as clearly shown by the following table:

From	To	Distance (Miles)	Rate (Per Ton)
Hayden, Arizona	Los Angeles Harbor	538	$6.00
Anaconda, Montana	Seattle, Washington	654	5.00
Black Eagle, Mont.	Seattle, Washington	758	5.00
Garfield, Utah	Los Angeles Harbor	793	5.85
International, Utah	San Francisco	797	5.85
El Paso, Texas	Houston, Texas	818	5.00

The rates above shown from competing points were voluntarily established by the railroads and have been in effect for many years. Obviously they afford a proper measure for the rates from Arizona to Los Angeles Harbor. Therefore, it is clear that the present rate of $6.00 from Hayden to Los Angeles Harbor is still too high.

Obviously, if truck competition is eliminated, then both interstate and state rates which have been reduced to meet such competition will, no doubt, as previously stated, be immediately increased by the railroads, thus saddling a further burden of more than $3,000,000 annually upon the public of the State. This burden will not be restricted to any one class, but on the contrary, would effect the pocketbook of each and every individual within the State.

Truck Regulation Now Sponsored by Railroads Is Simply Strangulation in Guise of Regulation

The railroads and their allied interests succeeded in 1931 in having the Legislature of the State of Texas enact into the law the most vicious, destructive, and oppressive legislation ever enacted governing trucks. Briefly summarized, among other things, this law fixes maximum load limit of 7,000 pounds, except as hereinafter shown, for any truck or trailer or combination of such vehicles operated over the highways.

Obviously such limit is inimical to the public interests. The weight specified is less than 25 per cent of the standard adopted by the American Association of State Highway officials in convention at Washington, D. C. November 17, 1932, in conjunction with the United States Bureau of Public Roads, and recommended by those officials of the Government for adoption by all states.

Appendix I shows the weight, dimensions, and speed for vehicles operating on the highways as adopted by those gentlemen who are informed by actual experience in constructing and maintaining highways throughout the nation. Therefore, we submit that the action taken by those impartial, eminently fair, experienced men is the best evidence as to proper load limits for trucks on the highways. Consequently it follows irresistibly that any weight limitations lower than those recommended by those officials are clearly repugnant to public interest.

Further evidence, if any is required, that the maximum load limit of 7 ,000 pounds is unduly restrictive, and, therefore, uneconomical, is furnished by the exception written into the Texas law, which, in substance, is to the effect that the limitation of 7,000 pounds as to weight of loads is <u>not</u> to apply to vehicles when used to transport property from point of origin to the nearest practicable railroad loading point or from railroad unloading point by way of the shortest practicable route to destination, <u>provided</u> said vehicle does not pass a railroad delivery or receiving point equipped to transport such load. In such cases, the Texas law provides maximum load limit of 14,000 pounds. Stated otherwise, when a truck is engaged in hauling to or from the nearest railroad station and does not pass another railroad station, then it can haul 14,000 pounds, or 100 per cent more than if the same truck were hauling over the same highways to or from more distant points. Apparently the purpose of the Texas law was to eliminate truck competition with the rail-

roads, thus forcing the public to ship by railroad and pay the substantially higher rail rates. It has accomplished that purpose.

General Public Adversely Affected by the Unreasonable Texas Motor Vehicle Law

In Texas the unreasonable 7,000 pound load limit law, which certain selfish interests are endeavoring to have enacted into the laws of the State of Arizona, has worked undue hardships on the general public. One of the most noticeable results of this legislation is the decrease of some 30,000 registrations of motor trucks since the present truck laws were enacted, and the resultant drastic decrease in revenues accruing to the State. The fall in registration has decreased gasoline consumption approximately 50,000,000 gallons, which, at the present 4-cent tax, would have provided the state highway fund $1,500,000 and the available school fund $500,000 more, to say nothing of the volume of business the absence of these trucks has cost the Texas business men at a time when it was sorely needed.

In addition, the Texas law has decreased county road funds some $650,000.

The loss of revenues above shown is a serious matter. However, it is merely a drop in the bucket compared with the amount collected by the railroads from the shippers of Texas through the medium of excessive freight rates and charges since truck competition has been stifled in that State. Therefore, the shippers of Texas are directing their efforts to secure the repeal by the next Legislature of the obnoxious provisions of said law.

RECOMMENDATIONS OF THE COMMISSION WITH RESPECT TO MOTOR VEHICLES

The Commission in the Coordination of Motor Transportation case made certain recommendations to Congress with respect to the interstate regulation of motor vehicles. Those recommendations are now embodied in a bill before the Congress, which it is contemplated will be enacted into the Federal law in the near future.

Moreover, the Commission in its annual report to Congress in 1931, stated, in substance, that there was an utter absence of agreement as to the facts regarding whether competing forms of transportation, including motor vehicles, were paying their fair share of the burden of taxation. The Commission recommended to Congress that a thorough and impartial investigation be made of the matter. In its annual report to Congress in 1932, the Commission reiterated this recommendation. Therefore, the Congress will, no doubt, take such action shortly.

Consequently, the Federal Government will soon occupy the field of interstate motor-vehicle regulation. Moreover, the results of the impartial Congressional investigation recommended by the Commission should be available in the not distant future. Until that time, it seems to us wise for the law makers of the various states "to make haste slowly" in dealing with motor vehicles.

CONCLUSION

Prior to the advent of motor vehicles, the railroads had no competition in Arizona. They took advantage of this fact. They realized that the citizens of the State required transportation. Moreover, that as they could not secure it from any other source, they must of necessity pay whatever charges the railroads demanded. Consequently, the rates, fares, and charges established and long maintained by the railroads to, from, and within Arizona were the highest in the United States.

Motor vehicle transportation is the first and only competition with the railroads that the public of Arizona has ever had. Although the expense of performing truck transportation is over nine hundred and ninety per cent greater than the freight operating expense of the railroads, as previously shown, the trucks have, and now are, according the citizens of the State substantially lower charges and in many instances superior service to those of the railroads. Stated otherwise, the truck management has removed from the necks of the public the yoke of oppression of the railroads, thus giving the public "a new deal."

As the railroads already have so many and so great inherent advantages of economy over the trucks, as hereinbefore shown, it follows irresistibly that if they cannot survive in competition with the trucks, it is due solely to their failure and refusal to be governed by the economic principles which govern other legitimate enterprises. Therefore, no useful purpose will be served by further truck legislation at this time.

The iniquitous legislation proposed by the railroads would drive the trucks from the highways, thereby costing the public of Arizona a minimum of $3,000,000 annually under present conditions, and several times that amount under normal conditions. Obviously such legislation is not in the public interest, the contention of the railroads and their allies notwithstanding.

Respectfully submitted,

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APPENDIX I

AMERICAN ASSOCIATION OF STATE HIGHWAY OFFICIALS
1222-24 National Press Building
Washington, D. C.

GROSS WEIGHT, DIMENSIONS AND SPEED FOR VEHICLES OPERATING ON THE HIGHWAYS

Adopted by the American Association of State Highway Officials in Convention at Washington, D. C. November 17, 1932, and United States Bureau of Public Roads, and recommended for adoption by all States.

It is the opinion of the Association that the adoption of a uniform standard to govern gross weight, dimensions and speeds for motor vehicles operating on the highways is a fundamental necessity for the following reasons:

(a) To establish one of the fundamental prerequisites of highway design.

(b) To promote efficiency in the interstate operation of the motor vehicle.

(c) To secure safety in highway operation.

(d) To remove from the highways undesirable equipment and operations.

(e) To stabilize on a definite basis the many relationships between the highway and the motor vehicle.

These conclusions have been reached after many years of consideration on the part of the Highway Transport Committee of the Association supplemented by painstaking research by a number of the State Highway Departments and the Bureau of Public Roads.

The Association therefore makes the following recommendations to the proper State authorities having control of traffic on the highways:

(1) <u>WIDTH</u>

No vehicle shall exceed a total outside width, including any load thereon, of eight feet except

vehicles now in operation which, by reason of the substitution of pneumatic tires for other types of tires, exceed the above limit.

(2) HEIGHT

No vehicle unladen or with load shall exceed height of twelve feet, six inches.

(3) LENGTH

(a) No vehicle shall exceed a length of thirty-five feet extreme over-all dimension, inclusive of front and rear bumpers.

(b) Combinations of vehicles shall consist of not more than two units and, when so combined, shall not exceed a total length of forty-five feet.

(c) The truck tractor and semi-trailer shall be construed to be one vehicle for the purpose of determining lengths.

(d) For occasional movements of materials or objects of dimensions which exceed the limits herein provided, a special permit shall be required.

(4) SPEED

(a) Minimum speed. No motor vehicle shall be unnecessarily driven at such a slow speed as to impede or block the normal and reasonable movement of traffic except when reduced speed is necessary for safe operation or when a vehicle or a combination of vehicles is necessarily or in compliance with law proceeding at reduced speed.

(b) Maximum speed. No bus or truck shall be operated at a speed greater than forty-five miles per hour. Passenger automobiles may be operated at such speeds as shall be consistent at all times with safety and the proper use of the roads.

(c) Vehicles equipped with solid rubber or cushion tires shall be operated at a speed not in excess of 10 miles per hour.

(5) AXLE LOAD

(a) The wheels of all vehicles, including trailers, except those operated at 10 miles per hour or less, shall be equipped with pneumatic tires.

(b) No wheel equipped with high pressure, pneumatic, solid rubber or cushion tires, shall carry a load in excess of 8,000 pounds, or any axle load in excess of 16,000 pounds.

Research indicates that low pressure pneumatic tires can carry 9,000 pounds per wheel without increasing pavement slab stresses.

An axle load shall be defined as the total load on all wheels whose centers may be included between two parallel transverse vertical planes forty inches apart.

(c) These limitations are recommended for all main rural and intercity roads, but should not be construed as inhibiting heavier axle loads in metropolitan areas if any State desires.

(d) These weight specifications for wheel and axle loads may be restricted by the State Highway Department for a reasonable period where road subgrades are materially weakened from thawing after deep frost or from a continued saturated condition of the soil.

(6) GROSS WEIGHTS

Subject to the limitation imposed by the recommended axle loads no vehicle shall be operated whose total gross weight, with load, exceeds that given by the formula W = c(Lplus 40) where

W = total gross weight, with load, in pounds
C = a coefficient to be determined by the individual states
L = the distance between the first and last axles of a vehicle or combination of vehicles, in feet

A value of 700 is recommended for "c" as the lowest which should be imposed but this should not be construed as inhibiting greater values.

(Note): This gross weight recommendation is particularly applicable to bridges since axle loads and length limitations are determinative in their practical application.
