

No. 6506.

MIXED CAR DEALERS ASSOCIATION

v.

DELAWARE, LACKAWANNA & WESTERN RAILROAD  
COMPANY ET AL.

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No. 6506 (Sub-No. 1).

HUSTED MILLING COMPANY

v.

NEW YORK, CHICAGO & ST. LOUIS RAILROAD COMPANY.

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No. 6506 (Sub-No. 2).

H-O COMPANY

v.

LAKE SHORE & MICHIGAN SOUTHERN RAILWAY COM-  
PANY ET AL.

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No. 6506 (Sub-No. 3).

BUFFALO CEREAL COMPANY

v.

LAKE SHORE & MICHIGAN SOUTHERN RAILWAY COM-  
PANY ET AL.

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*Submitted October 10, 1914. Decided February 8, 1915.*

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On complaint that defendants' transit charges on grain milled in transit at points in the states of New York and Pennsylvania are unreasonable and unlawful, and the transit rules unjust and unreasonable; *Held:*

1. That the application of the through rate on grain products or by-products from point of origin to ultimate destination on grain milled in transit is not unlawful if properly published, and does not result in unreasonable charges.
2. That the service performed in transporting the grain products or by-products from the transit house is a transportation service for which a rate should be named in a tariff and which should be shown on the outbilling; and that it is unlawful to publish a transportation charge in the guise of a transit charge.
3. That rules with respect to policing transit should be uniform, and defendants should see to it that they adopt and apply rules which do not result in discrimination between transit users, and at the same time do not permit of forbidden substitution.

4. That under tariff authority therefor and proper policing thereof which will maintain the through rates the defendants may permit grain to arrive at a transit house over the line of one carrier and the product to be forwarded by another carrier, but this is something that may not be required under the limitation in the fifteenth section of the act, respecting through routes and joint rates.
5. That the transit charge of 1½ cents per 100 pounds on local grain and ex lake grain charged at f. o. b. rates from Buffalo, N. Y., is not unreasonable.
6. Reparation denied.

*Sims, Godman & Welch* for complainants.

*J. E. MacLean* for Delaware & Hudson Company.

*T. H. Burgess* for Erie Railroad Company.

*E. S. Ballard* for New York Central lines.

*J. L. Seager* for Delaware, Lackawanna & Western Railroad Company.

*R. W. Barrett* for Lehigh Valley Railroad Company.

#### REPORT OF THE COMMISSION.

**CLARK, Commissioner:**

The proceeding in No. 6506 is brought by an association composed of millers of grain and by individual members of the association. The transit points with respect to which specific complaints are made, and at which members of the complaining association are located, are Waverly, Binghamton, Oneonta, Kingston, Syracuse, Deposit, Olean, Allegany, Norwich, and Cohocton, N. Y., and Scranton and Wilkes-Barre, Pa. Millers at these points are engaged in milling corn into cracked corn, corn meal, and other corn products, and in converting corn, wheat, oats, and other grain, grain products, and by-products into animal and poultry feeds. They receive grain and its products in carload lots, principally from points in central freight association territory, and reship mixed carloads containing assortments of their milled products under transit arrangements which have been provided by the defendants for many years. In the complaint it is alleged, in substance and effect, that the transit charges imposed by the defendants are unreasonable and unlawful; that it is unreasonable not to grant transit on grain shipped under "at and east" grain rates from Buffalo, N. Y., "at and east" rates, so called, being proportional rates on ex lake grain shipped to New York and certain other destinations; that the transit-house records required by the defendants are unreasonable and unnecessarily burdensome; that the practice of the Lehigh Valley and the Delaware & Hudson of requiring cancellation of billing upon the so-called "pound for pound" basis is unreasonable and discriminatory; and that the refusal of defendants to permit the substitution in transit of grain and grain products which reach the transit point over the line of one carrier for the same commodities that reach the same point over the lines of another carrier is unjust and discrimina-

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tory. Reparation is asked. In the subnumbers reparation is asked in behalf of certain members of the association at Buffalo, N. Y.

The transit rules and charges maintained by the different defendants are substantially the same. The tariff of the Delaware, Lackawanna & Western contains the following provisions:

RATES AND MINIMUM CARLOAD WEIGHTS.

(a) Shipment must be charged from point of origin or rate-basing point to final destination at the rate in effect at time of shipment from such point of origin or rate-basing point. If the original shipment be grain, the grain rate will apply through to final destination. If the original shipment be grain products, the grain-products rate will apply through to final destination. If the original shipment be by-products, the by-products rate will apply through to final destination.

(b) The transit charge will, in all cases, be assessed in addition.

(c) The carload minimum weights will be as follows:

To the transit point: In accordance with tariff under which shipment is rated from point of origin or rate-basing point.

From the transit point: In accordance with official classification and exceptions to official classification, except that on mixed carloads consisting of grain and any other commodities covered by rule 1, the carload minimum weight shall be 40,000 pounds.

TRANSIT CHARGE.

(a) The transit charge on the inbound grain shall be not less than one-half cent per 100 pounds, minimum \$3 per car. (See exception.) When the inbound shipment is grain and outbound shipment from the transit point is composed wholly or partly of grain products or by-products, a charge in addition to the above will be made on the entire weight of the outbound carload equivalent to the difference (if any) between the grain and grain-products rates from point of origin or rate-basing point of the grain to final destination of the product forwarded from the transit point, except that when the grain rate is in excess of the products rate there shall be no such difference added to the transit charge.

Exception. On grain originating at Buffalo or Black Rock, N. Y., or points east thereof, including ex lake grain charged at f. o. b. rates, milled at such termini or east thereof, the transit charge shall be not less than 1½ cents per 100 pounds.

(b) The transit charge on inbound grain products and by-products shall be not less than one-half cent per 100 pounds, minimum \$3 per car. When the outbound shipment from transit point is offset against an inbound shipment from point of origin or rate-basing point from which the rates to ultimate destination on grain products and by-products differ, a charge shall be made, in addition to the foregoing, equivalent to the difference between the grain-products and by-products rate from point of origin or rate-basing point, if the outbound shipment is composed wholly or partly of the higher rated commodity.

Previous to April 1, 1907, the rates on grain, grain products, and by-products moving to trunk line territory from central freight association points were generally the same. Shippers at rate-breaking points, millers at intermediate points and at destinations were then upon a basis of substantial equality. The intermediate millers' only disadvantage was the amount of the transit charge, which was one-half cent per 100 pounds, minimum \$3 per car. In 1907 differentials between grain and grain products were introduced in connection with

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reshipping rates from Chicago and in connection with local rates from central freight association points generally with respect to movements to the east. The substantial equality that had existed as between central freight association and trunk line millers was disturbed. Subsequently carriers in central freight association territory provided that the transit millers in their territory and at Buffalo, N. Y., should pay on the outbound shipments, in addition to one-half cent transit charge, the difference between the rates on the grain and the grain products or by-products, whichever was higher, from point of origin or rate-basing point to destination. The transit miller in trunk line territory then had an advantage, for the reason that he paid the rate on grain from point of origin to destination, plus one-half cent transit charge. This situation was the cause of much complaint upon the part of central freight association millers. In order to satisfy the complaints, carriers serving both territories endeavored to reach an agreement with respect to rates on grain. The trunk line carriers contended, generally, that there should be but one rate on grain, grain products, and by-products. To this, it appears, the central freight association carriers would not agree. It was finally settled that the carriers in trunk line territory, although the same rate applies to grain and grain products in that territory, should establish the same rules with respect to transit charges as were applicable on grain milled in transit in central freight association territory. Tariffs to conform with this understanding were generally made effective January 1, 1912. Millers of grain in trunk line territory, including the complaining association, protested to the Commission against the increases in transit charges, but the tariffs were not suspended by the Commission. The burden of proof, under the statute, is upon the defendants to show that the increased charges are just and reasonable. Complainants proceeded first at the hearing, but this can not be held to shift the burden of proof.

Rates are stated herein in cents per 100 pounds.

The reshipping rates in effect prior to November 16, 1914, on grain, grain products, and by-products from Chicago, Ill., to certain points are shown in the following table:

To—	Grain.	Grain products.	By-products.
New York, N. Y.....	16.0	16.7	17.5
Albany, N. Y.....	15.5	16.2	17.0
Syracuse, N. Y.....	13.0	13.7	14.5
Utica, N. Y.....	14.5	14.7	15.5
Buffalo, N. Y.....	10.0	10.5	11.0

The rates to Buffalo were increased November 16, 1914, to 10.5 cents on grain and to 11 cents on grain products.

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Rates from Cleveland, Ohio, are as follows:

To—	Grain.	Grain products.	By-products.
New York, N. Y. ....	14.5	15.0	12.5
Albany, N. Y. ....	14.0	14.5	12.0
Syracuse, N. Y. ....	11.5	12.0	9.5
Utica, N. Y. ....	12.5	13.0	10.5

The rules in the tariffs with respect to charges are applied by the defendants in the following manner: When a shipment is received at the transit point it is charged at the rate on the commodity shipped from the point of origin or rate-basing point. When the products are sent forward the transit charge is assessed, plus an additional charge equivalent to the difference in rates as stated in the rules. This difference is computed on the basis of the rate on the product in effect at the time the shipment moved from the point of origin. When the outbound carrier has collected the difference between the rates on grain and grain products on the outbound car, it allows to its eastern connections their proper divisions of the rate on the outbound commodity, and to its western connections their proper divisions of the rate on the inbound commodity, and retains the balance for itself.

It follows from the application of the charges which are named in the transit tariffs under consideration that the amount paid by the trunk line miller when the products move out is not constant. The difference between the rates on grain, grain products, and by-products varies with the point of origin. Examples of different charges paid by members of the complaining association on grain shipped all rail from central freight association points and from beyond are as follows: At Waverly, N. Y., \$3, \$5.05, \$5.89, and \$13 per car; at Wilkes-Barre, Pa., \$3, \$5.32, \$6, and \$7.20 per car; and at Syracuse, N. Y., \$5.80 and \$13.23 per car. The highest charges shown appear with respect to shipments of oats from Minneapolis, Minn. The difference between the rates on oats and products from that point to New York is 2½ cents. Examination of tariffs shows that in central freight association territory, in applying charges on outbound products, carriers add to the rate on the grain the difference between that rate and the rate on the product or by-product from the basing point only. When grain is milled at Chicago or at a central freight association territory point the rates break on Chicago, or are based on Chicago, and the central freight association miller pays on the outbound product an amount which, added to the rate on grain already paid, will equal the rate on the product from the basing point.

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The rules of the different carriers for policing transactions at transit houses in trunk line territory are not the same. The Lehigh Valley and the Delaware & Hudson do their own policing and require cancellation of billing on the pound for pound basis. The Lackawanna, the Erie, the New York Central, the Central Railroad of New Jersey, and the New York, Ontario & Western place their policing with the Trunk Line Inspection Bureau. This bureau permits transit on what is called representative billing.

The rules with respect to keeping transit-house records are not uniform. The records required by the carriers which do their own policing are much more complex and burdensome to the transit users than are those which the inspection bureau requires. The contention of complainants is that the requirements in both cases are unreasonably burdensome.

The facts above stated serve to show that there is a remarkable lack of uniformity in the application of tariffs which contain substantially the same rules. In a territory of comparatively limited extent, with but few carriers interested, and in a business that involves practically one class of commodities, there is no apparent reason or excuse for not having uniformity with regard to charges and with regard to the interpretation of tariffs which provide similar rules. The chief purpose of transit arrangements is to effect an equalization of freight charges and to eliminate discrimination. Carriers in central freight association territory are directly responsible for the situation with respect to rates. For instance: From rate-breaking points in Illinois the rate on grain is the lowest, that on grain products is next, and that on by-products, which includes mixed feeds, is the highest. From interior central freight association points the rate basis is different. From these points grain products take the highest rates, grain next, and by-products the lowest. The result of this admixture of rates from the same general territory seriously complicates the application of through rates to grain milled in transit in trunk line territory. The rates ought to be, and no reason appears why they should not be, on a uniform basis.

Complainants contend that the application of the rate on the products through from point of origin to destination on a shipment of grain to the transit point and of grain products beyond is unlawful, and that the lawful rate is the through rate on grain from point of origin to the ultimate destination. There is no provision of the act, and no rule of the Commission, which prescribes what rate shall apply on a combination of commodities made in course of transportation. In this territory there are no joint rates applicable on raw material to a transit point and finished product beyond unless they are accompanied by a transit charge. The service rendered by a

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carrier in transporting the product from a transit point is different from that rendered in transporting the raw material to the transit point. In many cases the product is of greater value, and the minimum loading is usually lower. The service to the transit user is oftentimes of greater value. Where the outbound shipment consists of a mixture of a number of kinds of grain, done up in small packages, the transit shipper is, in effect, given a carload rating on less-than-carload shipments. The carrier is fairly entitled to a higher charge on the outbound movement. In *Central Yellow Pine Asso. v. V., S. & P. R. R. Co.*, 10 I. C. C., 193, 213, in discussing the principle of milling in transit, we said:

Generally in its application the raw material pays the local rate into the point of manufacture; when afterwards the manufactured product goes forward it is transported upon a rate which would be applicable to that product had it originated in its manufactured state at the point where the raw material was received for transportation, whatever has been paid into the mill being accounted for in this final adjustment. Under this or some equivalent arrangement at the present time grain of all kinds is milled and otherwise treated in transit; flour is blended, cotton is compressed, lumber is dressed and perhaps otherwise manufactured, live stock is stopped off to test the markets.

In *Douglas & Co. v. C., R. I. & P. Ry. Co.*, 16 I. C. C., 232, 242, it is said:

It (the defendant, Illinois Central) argues that a transit rate based upon the rate on the manufactured product from point of origin of the raw material to final destination of the product is a more reasonable and logical transportation proposition than a transit rate which permits the milled product to go forward under the raw material rate. It might not be difficult to accept that theory if it were applied as a general or universal practice.

It appears that the practice of charging the rate on grain products or that on by-products through from point of origin or rate-basing point to ultimate destination, when grain is milled in transit, is now practically the uniform basis throughout trunk line and central freight association territories. Our attention has not been called to an exception to this rule as applied to grain shipped from Chicago or central freight association points and milled in transit at trunk line points.

Complainants lay much stress upon the fact that in *In Re Milling in Transit Rates*, 17 I. C. C., 113, we held that the rate in effect when the original shipment moved must be applied, and say that it follows that this must be the rate then in effect on the commodity which then moved. What we held was that the property accorded transit under a through rate must be regarded as in course of transportation from the time it moved from the point of origin, and that the through rate in effect at the time of the initial movement must be applied. That case was further considered and reported upon. 26 I. C. C., 204.

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Under all the circumstances shown we do not find that the application of the through rates on grain products or by-products on grain milled in transit is unlawful, provided the rates are properly named in tariffs on file. The reasonableness of none of the through rates is attacked in this proceeding, and there is no evidence with respect to that question.

It is clear that charges for transit service at the same point which vary from \$3 to \$13.23 per car can not be successfully defended. It costs a carrier no more to switch into a transit house a car loaded with corn which goes forward as products than a car which is sent forward as corn. It costs no more to switch from the transit house a mixed carload of corn products than it costs to switch out a car loaded with corn or corn meal. The transportation service after the car is switched may be different, but the switching service is identical. The charge for the transit service should be constant. The defendants variously denominate the charges imposed under their tariffs as for "transportation," "transit," and "special services." We are of opinion that the service rendered by the outbound carrier is a transportation service. A charge for transportation service should never appear or be applied in the guise of a transit charge. Section 6 of the act provides that tariffs must show separately the charges that are to be assessed for any particular service. If the rate on products is to be applied from point of origin or rate-basing point on grain milled in transit, it should only be applied as a rate for transportation named in a tariff and shown on the billing for the outbound shipment. The billing should show what has been charged for transportation under the tariff naming the rate and what has been charged for the transit as provided by the tariff governing transit.

It was repeatedly asserted by the defendants at the hearing that the purpose of the change in rates and rules respecting transit on grain in trunk line territory was to place trunk line millers on a parity with their central freight association competitors with respect to commodities available to both. This is reiterated on brief. We have seen that with respect to grain from Minneapolis the rules operate to the prejudice of the trunk line miller in that he is subjected to higher charges than is the central freight association miller who buys grain in Minneapolis. It is not possible in this proceeding, even if it could be justified as a transportation matter, to require the establishment of one rate basis for grain, grain products, and by-products. So long as there are these different rates the transit rate in trunk line territory, in our opinion, may properly be the through rate on product or by-product, as the case may be, plus a transit charge of one-half cent per 100 pounds. The rate and the charge should be shown on the outbilling and assessed on the outbound shipment. It is not until the outbound shipment occurs that the higher

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rate on the product can be made. There is no connection between the inbound and outbound movement until the outbound shipment has been tendered to the carrier by the transit house. In so far as the tariffs of the defendants name the rate which is to be collected on the outbound movement as an additional transit charge they are unlawful and must be at once corrected to comply with the conclusions herein reached.

The interpretation and application of rules in tariffs permitting transit should be uniform. If certain transit users in trunk line territory are permitted to ship outbound traffic on what is called representative or unit billing of inbound against outbound tonnage, and other transit users in the same territory are held to the pound for pound ingredient application, discrimination results. The practice should be conformed to the one system or the other. Tariffs show that throughout central freight association territory transit on grain is permitted on what is called representative billing. In trunk line territory a similar rule prevails under the inspection of the trunk line bureau at points on the lines of all defendants except the Lehigh Valley and the Delaware & Hudson. The trunk line inspector, an officer of long experience, is of opinion that under the system of representative billing the through rates are protected to the same extent as under the pound for pound requirement. The general auditor of the Delaware & Hudson, who has charge of policing transit shipments of grain, expresses the opinion that in the aggregate the use of representative billing does protect the through rates, though it might not do so in individual cases.

Just what is now permitted under the use of what is called representative billing is not clear from the record. It seems, however, that inbound billing of a single kind of grain is permitted to be surrendered upon the shipment outbound of a car containing a like quantity of the mixed product of various kinds of grain, provided the mixed product contains a substantial amount of the kind of grain named in the surrendered billing. In our opinion, such a practice, if it is followed and is not clearly authorized by the tariffs, does permit unlawful substitution.

In discussing the Commission's attitude toward transit rules and regulations after the decision in *The Transit case*, 26 I. C. C., 204, in *National Casket Co. v. S. Ry. Co.*, 31 I. C. C., 678, we said, p. 688:

The law is as binding upon the shippers and the carriers as it was before we rescinded rule 76 and withdrew our suggestions. The obligation to observe its letter and spirit rests no less lightly upon all parties subject to its provisions. The penalties for its violation are unchanged. It is now, as it was then, the duty of the carriers to initiate and properly police their transit arrangements. It is now, as it was then, the duty of the shipper to conform his operations to the requirements of the law and of all reasonable rules and regulations of the carrier designed to insure the observance of the law.

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We are not prepared on this record, however, to prescribe any rule that shall govern transit inspection or policing. The defendants should see to it that they adopt and apply such rules as do not result in discrimination between transit users, and which at the same time will prevent substitution that is forbidden by the tariffs.

Complainants insist that they should be permitted to ship out products at points served by more than one carrier irrespective of the line or route over which the raw material comes inbound. It is asserted that the refusal of the defendants to permit such substitution is a discrimination in favor of millers at Buffalo and those located on the line of a single carrier. So far as Buffalo is concerned, it is a rate-breaking point. Complainants admit that inherent difficulties in the way of establishing local rates on grain and on products to and from each milling point which would not exceed the through rates led to the adoption of the transit principle. The fact that the Buffalo miller may ship out by any carrier at Buffalo regardless of the inbound carrier does not, under such circumstances, constitute undue discrimination within the meaning of the act. What complainants ask, in effect, is that each carrier be required to establish through routes and joint rates from point of origin to destination in connection with every other carrier which reaches that destination from any transit point in trunk line territory through which it passes. Where the carrier that moves the traffic into the transit point reaches also the point of destination the effect of requiring it to apply the through rate to destination, irrespective of whether the product moves from the transit point over its line or over the line of some other carrier, would be to require it to establish a through route and joint rate with such other carrier, although its own line may not be unreasonably long. Under the limitation in the fifteenth section of the act we do not have the power to require such a route and rate. *Rates on Cottonseed and Products*, 28 I. C. C., 219. Tariffs on file show that generally in central freight association territory interchange of traffic in transit is voluntarily made at junction points by carriers. According transit at a junction point under which the product may be sent forward from that point by a carrier other than the one that brought in the raw material is an arrangement which the defendants might enter into voluntarily, as has been done by some carriers at some places, but under the limitations of section 15 of the act we may not order it done in this case.

Some testimony was introduced with respect to burdensome records required to be kept by the transit houses in trunk line territory. Much of this related to the records required under the pound for pound system. We are unable to find from the evidence that the policing requirements with respect to keeping of records are

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unreasonable or unduly burdensome. The defendants assert that the records required are necessary to proper check of transit and nontransit accounts. Records should be kept which do adequately show the facts with respect to these accounts, and we are not sufficiently advised on this record to require other or different records than are now in use.

Complainants contend that it is unreasonable and discriminatory not to permit transit on "at and east" rates on ex lake grain from Buffalo. It is alleged that the refusal to permit such transit unduly favors the terminal miller. The at and east rates apply only on grain, and are per bushel rates, published to apply from Buffalo to certain eastern destinations. On outbound shipments from the transit houses the difference between the at and east rate and the f. o. b. rate from Buffalo, which applies on grain, grain products, and by-products, would have to be added under the rules. The ultimate charge would be the same as though the shipment had been originally billed at f. o. b. rates. The at and east rates are special in character, and apply generally to export traffic. Under all the circumstances it is not unreasonable for the defendants to refuse to permit transit on at and east rates.

We come now to consider the reasonableness of the charge of 1½ cents for transit on grain originating in trunk line territory and on ex lake grain charged at f. o. b. rates from Buffalo. It appears that previous to 1912 the charge was 1½ cents at points on the lines of the New York Central, and one-half cent at points on the lines of the other defendants. The defendants assert that with respect to local and f. o. b. ex lake grain the transit users in trunk line territory are not in competition with central freight association territory millers and that the charge was fixed with reference to the cost of the service. Cost figures were introduced by the Erie with respect to the service at Waverly, and figures were given with respect to the amount of switching service at Syracuse and Kingston on the New York Central. Estimates of costs were also submitted with respect to the service by the Delaware & Hudson at Oneonta. These figures on their face show that the charge is not unreasonable. It is also to be observed that as the rates on grain and grain products are the same in trunk line territory, the carrier receives no increase in revenue on the out haul. With the rate on the products 0.7 cent higher than on the grain, the cost to the transit user of grain all rail from the west is 1.2 cents per 100 pounds. It is probable that the charge of 1½ cents, on the whole, is about equal to the charges on western all-rail grain.

Complainants insist that as the transit charge at Edgewater, N. J., which is also referred to in the record as Undercliff, N. J., is

only one-half cent per 100 pounds, this affords a conclusive presumption that any greater charge at other points is unreasonable. Edgewater, or Undercliff, is, however, within the lighterage limits of New York harbor and takes the same rate as other New York harbor points, and the rail haul there ends with the inbound movement. The transit at that point applies only to points within the harbor lighterage limits and to back-haul points on the New York, Susquehanna & Western Railroad. These circumstances, in our opinion, differentiate the conditions at Edgewater from those at these interior points, and nothing in the record is convincing that these different conditions and circumstances do not justify the difference in the transit charges.

We are of opinion that within the limits of the findings herein defendants have sustained the burden of proof and shown the increased charges to be just and reasonable.

There remains the question of reparation. The claims of complainants who are located at Buffalo are based on the fact that previous to January 1, 1912, they were charged one-half cent for transit, and that after that date they were charged in addition thereto 0.5 or 0.7 cent per 100 pounds, dependent on the point of origin, and on the product shipped out from Buffalo. We have herein held that to charge the rate on products through from point of origin to ultimate destination on grain milled in transit is not unreasonable. It follows from this that the charges to complainants were not unreasonable. It can make no difference in this respect that the charges were published in an unlawful manner. *Memphis Freight Bureau v. K. C. S. Ry. Co.*, 17 I. C. C., 90. Under these circumstances the claims for reparation will be denied.

The tariff rules which we have quoted provide that the transit charge "shall be not less than one-half cent per 100 pounds, minimum \$3 per car." The statement that a rate or charge shall be not less than a certain amount is in no sense a clear and definite statement of what the charge will be. This defect in the tariff rules must be corrected.

Defendants will be expected to remove the discriminations herein found to exist and reform their tariffs in conformity with the findings herein within 60 days from the date of service of this report. The case will be held open for the entry of such orders as may be found necessary.

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