

FINDINGS OF THE BOARD.

Digest of the Report of the State Board of Transportation.

RATES CAN'T BE LOWERED.

So Says the Board After a Careful Investigation of the Facts.

To Messrs. Benton, Hill, Hastings, Alien and Humphrey, Members of the Board of Transportation—Gentlemen: Pursuant to a resolution of your board directing the secretaries to prepare a statement of facts in the matter of transportation rates in this state we respectfully submit the following:

In order that you and through you the people of the state may have a more comprehensive view of the whole controversy on the question of freight rates between the people and the railroads of the state we call your attention:

First—To a brief history of the controversy from its earliest beginning, showing the situation as it was, up to the time when the present members of the board went into office.

Second—To such facts, figures and arguments as we have been able to gather from both sides to the controversy at the recent public investigation held by this present board and to other facts ascertained by the secretaries, prior to, and since the recent public investigations.

THE PRESENT CONTROVERSY.

between the people and the railroads of this state originally grew out of the question, not of rates or reduction of rates, but of control. The people recognizing the railroads as common carriers, not entitled under the state constitution to the same broad liberty of action in business that the individual citizen has, wanted to control the roads. The roads, impatient of interference, wanted to control themselves and manage their business in their own way. The roads were aggressive in business matters. They crowded the rapid development of their systems in all directions throughout the state with an energy never before equalled in history. Had they been less energetic and less forceful in the early settlement of the state there would have been less progress and less material development. Not only were the railroads energetic and forceful, but they were arrogant and overbearing in their methods. By the very force of their splendid energy they were

NATURAL USURPERS OF POWER,

and the individual citizen stood in awe of a magnificent combination of capital, brains and energy that had no conscience and no soul. To protect himself against its aggressiveness his first instinct was to pass laws that would curtail its legal rights. To prevent the passage of such laws was the natural instinct of the roads. The citizen at once appealed to public sentiment with a view of securing the passage of such laws as he deemed necessary to check this growing railroad power. Had the railroad people at this point calmly considered, yielding to the passage of such laws, for general control, as the people under the constitution were entitled to, submitting to the control, rather than seeking to control, they would have secured popular sympathy instead of arousing popular distrust. And had the citizen pursued the even tenor of his way, holding fast for what was his by right, moving forward in the line of his own good, common sense, avoiding rather than seeking a quarrel with the railroads, electing only honest men to the legislature, he would have secured earlier in the struggle the legal control and the legal remedies which he sought for and preserving his even temper and cool judgment he would have been able to recognize justice when he found it, and to know when he had gone far enough. When the public will is moved by judgment and not by prejudice there is always inherent in the popular heart a love of justice and fair play; but when baffled by tricks and bullied by unlawful assumption of power, the public will becomes perverted and moved by caprice and not by reason. At such times the professional agitator finds public sentiment an easy prey to his mischievous doctrines.

Never in history has a better opportunity been given to

AROUSE POPULAR PREJUDICE

than was given by the railroad managers in this state in the earlier stages of this controversy. As the anti-railroad sentiment grew and became threatening in its attitude railroad manipulation became less scrupulous; and the louder the clamor for railroad legislation and railroad control the more the railroads refuse to yield to the reasonable demands and the more they sought through political intrigue to defeat the popular will.

It seems strange that a community of producers of more than average intelligence, and a community of railroad managers and builders having so much at stake of mutual interest, should allow a dangerous feud to grow up between them.

In the dispute as it originally began there is no doubt the railroads were in the wrong. They were stubborn and unyielding at a time when they should have been satisfied to live and let live. The people asked only what was reasonable, and what was guaranteed to them under the state constitution. For many years the roads were able through their political power to defeat legisla-

tion. They were the stronger of the two in the contest. They were the only capitalists in the state and were rich. The producers were few in number and were poor. The railroads had plenty of money, and they spent it lavishly in the construction of new lines. They were powerful in politics and were aggressive and arrogant in their manipulations of men and measures to accomplish their purposes. Their overmastering influence in the state aggravated the temper of the people and banded them still more closely together in a still stronger anti-railroad sentiment.

FIRST VICTORY FOR THE PEOPLE

In the form of an act by the legislature fixing a maximum rates. It was not a reduction of rates but a fixing of a definite limit, above which the rate tariff might not go. This rate was taken from the lowest published schedule of rates then in force. In this the people had gained one point that of control. No sooner had this law been enacted granting control over rates than the people began to demand more control. They demanded a court that should have general supervision over the roads with power to judge and decide questions in dispute, before whom they might bring specific complaints and have them promptly and fairly adjusted.

IN OBEDIENCE TO THIS POPULAR DEMAND

A RAILROAD COMMISSION WAS CREATED IN 1885. THIS WAS THE

SECOND VICTORY FOR THE PEOPLE.

No sooner had the commission been created than it became unpopular. The people had now gone beyond the question of general control and the fixing of a maximum rate, to the question of reduction of rates and the commission had no power to reduce. The cry was raised to abolish the commission and create in its stead a new court which should have still greater authority as to general control, and which should be vested with power to reduce rates.

AGAIN THE PEOPLE WERE VICTORIOUS

and the law makers of 1887, composed largely of farmers, created the board of transportation. This board as now constituted consists of eight members, five of whom were elected by direct vote of the people, and exercised controlling power in the official acts of the board.

This law was a practical embodiment of the notional law creating the interstate commerce commission. It was urged by those who demands this new court a majority of its members, being elected by direct vote of the people and owing allegiance alone to the citizens who cast the ballot, the power to fix rates of transportation would be under the direct surveillance of the producer the only check on his individual will and judgement being the individual will and the individual judgement of the officials whose authority his vote had created.

The producing classes of the state had at length prevailed, after much agitation, much engineering of bad feeling and much loss of confidence of both parties in each other. So far as legal advantages was concerned the public will had asserted itself and

THE PRODUCER COMMANDED THE SITUATION.

The only question yet to solve was as to what extent rates could be reduced. Here the struggle shifted from the people in general against the roads to the board of transportation against the roads.

The result of this contest between the board of transportation and the railroads was a general average reduction on local and through rates of 33 1/3 per cent. This was the most sweeping and far reaching reduction ever accomplished by any board of railroad commissioners in the United States. It not only affected the local rates over which the board had no control and that were of greatest importance. In this attack the board of transportation was so vigorous, and their demand was crowded with such determination and force, that the roads were compelled to make great concessions on the inter-state rates. And when these concessions were made it was tacitly understood and agreed between the board and the roads that the local rates should not again be disturbed until such time as the local interchange of business in this state should be of more general importance to the people than it was then. In order that you may more fully comprehend what was involved in the issue between the board and the roads at this time you should bear in mind that a reduction of the local rates in Nebraska meant to the roads a general corresponding reduction in local rates in Kansas, Colorado, Wyoming, Montana, Utah, Idaho, Nevada, Oregon and Washington. The board saw this point as clearly as the roads did. The Nebraska board of transportation had indirect power to cause a reduction in all these other western states, where there were no boards of control.

The board used their power over local rates to extort from the roads broad and liberal concessions on interstate through rates which was the vital question to Nebraska producers.

So swift had been the progress of the anti-railroad sentiment in this state, and so fierce had it become in its demands, it stopped not to recognize what the board had done, but passed on from the demand for reduction to the

DEMAND FOR MORE REDUCTION.

In the trial that took place in the summer of 1887 the roads resisted reduction with great force and determination. They fought most determinedly every inch of ground from beginning to end. The board composed in part of men of high legal standing, being assisted by a "rate expert" of recognized ability, investigation was most thorough and complete.

In view of the fact that the board secured this sweeping reduction and has since that time made still further reductions, it would seem that as a rate reducer it had fairly earned from the producers of the state some slight gratitude, if not respect; and it would seem that after having brought the railroad power to terms, the anti-railroad sentiment should have been, for a while at least, reasonably satisfied. The scene had now changed since the earlier part of the struggle. The roads had expended their money in the building of new lines that were unprofitable. They were obliged to exercise the strictest economy in order to make even a small dividend. The C., B. & Q. railroad lost in the strike of 1883 \$3,000,000, which together with the reduction of rates caused their stock to decline 50 cents on the dollar. Hard times was staring them in the face. In the meantime farmers in the state had prospered.

We have shown to you how this controversy first started, over the question of control. How in 1881 a maximum rate was fixed, which was control. How the people then demanded more control, and how in 1885 the commission was created for more control. How the people then demanded still more control, and reduction of rates. How in 1887 the commission was abolished and the board of transportation created which had, not only power to exercise still more control, but to reduce rates, and which actually did in the contest with the Elkhorn road cause a reduction of 33 1/3 per cent, supplementing this reduction with still further reduction on coal and grain. How the railroad power of this state had been

PUNISHED FOR ITS AUDACITY.

and yet the agitation has not one whit cooled in its fury, but grew in force and violence and called louder than ever for still more reduction. Again the second newly elected board of transportation took up the question and called a meeting for further investigation.

The board saw no way of arriving at the facts only by investigation. The question then pending before the board when the the present members came into office in the earlier part of the year, was "still more reduction." Recognizing its duty as a court to render judgment according to facts and according to justice, it at once set about to ascertain facts.

WORK OF THE PRESENT BOARD.

On the 13th of August this board set at Lincoln as per previous announcement, to take evidence and hear argument. It is worthy of note that no person appeared at that nor any subsequent meeting of the board who advocated the lowering of the rates of the products of our farms to our markets. But at the Lincoln meeting it was urged upon the board that the short haul rates be modified, with no complaint whatever as to rates now fixed on grain, live stock or coal.

It is also worthy of special notice that the gentleman making this argument made no effort to show that the rates on our shipments of Nebraska farm products were unreasonably high, his object being confined to a criticism of the Nebraska distance tariff. He charged that the rates in this state were founded on what is known as the long haul theory; he said "the purpose for which the rates are fixed is as follows: First to protect the existence, under the rule of charging all the traffic will bear, of such internal industries of the state as produce articles for a distant market such as corn, oats and packing house products upon which they can collect freight charges for a long haul. Second, to prevent and prohibit as far as possible such internal industries of the state as might supply the home markets of the state with these commodities which the road is now hauling into the state from long distances at high freight rates."

He also claimed: "That the local distance tariff of the C., B. & Q. was formulated with this second purpose in view. He claimed the freight most used by the people is that shipped under the rates for fourth and fifth class. The rates on the fourth and fifth class freight are those, therefore which are of the most importance to the people, yet it is on fourth and fifth class freight that we meet with the greatest discrimination under the local distance tariff in Nebraska, a discrimination operating against the local shippers and in favor of the shippers living in cities far distant from the state. This discrimination against the shippers in interior Nebraska results from the disproportion existing between the low through rates to the state, and the high local rates in the state.

It must occur at once to any ordinary man that a low rate for the long haul is

THE V. BY LIFE OF NEBRASKA.

If the principal business of the people of the state was to exchange commodities among each other, from town to town, on short hauls within the state then they would want rates based on

the short haul theory. But if the principal business of the people of the state is to raise grain and stock for a far away eastern market, and to import building material and family supplies from a far away eastern market, then the low rate on the long haul is absolutely vital to their interests.

The producer in Nebraska is interested in rates only on such articles as he buys and sells. It makes no difference to him what the rate is on hoop-poles if he never buys or sells hoop-poles. He is interested only in the freight he pays, either as buyer or seller. Admitting for the sake of argument that he pays the freight both ways both on what he buys and what he sells he then pays both the long haul and short haul freight, and to determine which of the two hauls he would have the rate based on he must first ascertain which haul he uses most. If the shipments of these articles which he buys and sells are mostly long haul shipments, then he wants the rates favorable to the long haul theory, but if the shipments are mostly short haul shipments, then he wants the rates based on the short haul theory.

Let us take an average Nebraska farmer, and see whether the tonnage on which he pays freight is handled mostly on the long or short haul. The average Nebraska farmer ships or receives in one year 2,000 bushels or 120,000 pounds of grain, 40,000 pounds of live stock, 20,000 pounds of coal, salt, lumber, etc., 500 pounds of groceries, 1500 pounds of miscellaneous articles, making in all a total of 200,000 pounds, on which he pays freight either as a buyer or seller. Not over 100 pounds, or one quarter of 1 per cent of this is handled on the local distributing rate.

Would the farmer who pays freight on 200 pounds of sugar and two car loads of fat steers prefer to have the rates adjusted in favor of the sugar rather than the steers? Or if he sells a fat hog and purchases a paper of pins will he complain that in the adjustment of freight rates discrimination is made in favor of the hog and against the pins?

The principal transactions of our people in Nebraska do not consist in buying, but in selling. We are producers rather than consumers. Our present prosperity was not attained by purchasing groceries but in the selling of cattle, hogs and grain. The future wealth of our farmers depends not on the price of what they buy in the stores of their nearest town, but on the price of what they sell to eastern markets. And yet men appear before this board and appeal to the farmers through the press criticising the

LONG HAUL THEORY.

on which our rates are based, because they say it discriminates in favor of the long haul—shipments of our grain and live stock, rather than on the local distribution of groceries. They say this present system tends to build up the producer of our farm products rather than the man who sells sugar and coffee, and they point to a list of 600 articles of merchandise which they are discriminated against for the benefit of the Nebraska steer. If it could be shown that the list embraced six hundred times six hundred articles it would still be true that the short haul freight paid by an ordinary farmer in one year's purchase of these articles would not amount to as much as the freight on one fat steer from here to Chicago. And so long as the Nebraska steer continues to be of such importance in the business transactions of this state, in the adjustment of our freight rates, it seems meet and proper that the interest of our steer should stand paramount. Bear in mind always, that of all the freight paid on articles bought and sold in whole year's transaction of our ordinary farmer, the short haul freight is only one quarter of 1 per cent. Less than 1 per cent of all the tonnage of Nebraska roads is included in agricultural implements and merchandise shipped locally. The principal items of commerce in the state are grain, coal, lumber, live stock and meat products. They being 70 per cent of all the commerce of the state. Less than 1 per cent of grain, coal and lumber is local business, because we have no forests, or mines, and small local demand for grain shipped by rail.

WHAT AN AGITATOR CAN DO.

An agitator may stand before an audience of people and set them wild with excitement, or he may appeal through the press and raise an army of 70,000 voters by quoting technical instances in which the local rates on these articles seem disproportioned to the long haul rate. But when these 70,000 men stop to consider that less than 1 per cent of coal, grain and lumber is local business, the argument falls to the ground, and the agitator only proves how mischievous a man can be when he talks with the purpose to deceive. Now it may be asked if the distributing rate is so little used by the people of the state, to reduce it would not seriously affect the income of the roads, why not reduce it and silence the popular clamor? It is easily explained why a reduction of this tariff in Nebraska, although it is little used by the ordinary farmer might seriously affect those Nebraska railroads which have extended their lines into states west of us. It is plain to any man that as we approach the west, where the country is more sparsely settled, and the tonnage is lighter,

higher rates must prevail, in proportion to the decrease of business. Nebraska doing a much less business on the distributing rate must have a higher rate than Iowa, and Colorado and Wyoming and other western states must stand a still higher rate than Nebraska, and the tariff should be so arranged that the proportion in advance of rates shall be consistent with the decrease of business in each state. If the Nebraska distributory rate is put on a plane with that of Iowa, the discrepancy between the Nebraska rate and the states west of us would then be too great, and immediately the demand would come from those states for a reduction consistent with the Nebraska rates, and such reduction would be a serious matter in its effect on the revenues of the roads in those states, where the conditions are dissimilar to ours, and where the distributory rate is more in use. Will the Nebraska farmer insist that for the sake of the reduction of 1/4 of 1 per cent of his freight bills he will jeopardize our present low through rate to the eastern markets? But it is also urged that our local distance rate in Nebraska should be put on a par with that of Iowa. In considering that question the one point vital to the farming interests of Nebraska is whether our stock and grain can be shipped from the interior of the state to Omaha and Lincoln on the local distance tariff, and from thence to Chicago and St. Louis, and whether when these products reach Chicago and St. Louis they have paid per mile in proportion to the distance travelled, more than the same products would have paid had they started in Iowa instead of Nebraska. When a Nebraska steer reaches Chicago in the form of dressed meat the question with him is not what it cost him to travel through Nebraska or Iowa or Illinois, but what he paid for the whole trip, and whether a proportionate reduction has been made in accordance with the distance travelled. If he has travelled twice as far as the Iowa steer then he should have paid, not twice as much, as the Iowa steer. For the purpose of ascertaining whether in the adjustment of rates

THE NEBRASKA STEER

is being fairly treated in comparison with the Iowa steer, let us take one of each, follow him to Chicago and see how they stand in relation to cost of transportation. Take a Nebraska steer at Heringford, Neb., ship him to Omaha under the Nebraska tariff which is 27 1/2 cents per hundred pounds. Kill him and ship the dressed meat to Chicago at 22 cents per hundred pounds. He has travelled 931 miles and has paid 44 1/2 cents per hundred pounds. Now take an Iowa steer and haul him alive the same distance over a "C" road at Iowa local rates, 31 cents per hundred pounds. Kill him at the Cedar Rapids packing house and ship the dressed meat to Chicago at 17 cents per hundred pounds. He has now travelled 650 miles and has paid 18 cents per hundred pounds. The Nebraska steer travels 931 miles and pays 44 cents per hundred pounds. The Iowa steer travels 650 miles and pays 48 cents per hundred pounds. Forty-eight cents for 650 miles as against 44 cents for 931 miles. The Nebraska steer has travelled once and one-half the distance of the Iowa steer at an actual less cost. Take a Nebraska steer at Funk, Nebraska, ship him to Omaha, 200 miles, in a fourth-six foot car at 14 1/2 cents per hundred pounds, now add rate on products to Chicago from Omaha, 28 cents, and your Phelps county steer is in Chicago a distance of 700 miles at 37 1/2 cents per 100 pounds. Take an Iowa steer and ship him from a point 200 miles west of Cedar Rapids over an "A" road at 15 1/2 cents per 100 pounds, add rate on product from Cedar Rapids to Chicago 17 cents, and your Iowa steer has paid 32 1/2 cents per 100 pounds on a distance of 419 miles. The Phelps county, Nebraska, steer pays only 4 cents per 100 pounds more to reach Chicago than the Iowa steer, and yet he travels nearly twice the distance.

Now take a Nebraska steer at Mason in Custer county, Nebraska, ship him to Omaha 200 miles over what would be a "C" road, at 15 1/2 cents per 100 pounds. Chicago, 22 cents, and the Custer county steer stands charged with 37 1/2 cents per 100 pounds, and has travelled 700 miles. Take your Iowa steer over a "C" class road 200 miles, at 20 1/2 cents per 100 pounds, from Cedar Rapids and 17 cents on products to Chicago, and the Iowa steer stands charged with 37 1/2 cents per 100 pounds for a ride of 319 miles. The Nebraska steer has traveled 700 miles as against 419 miles for the Iowa steer and paid only 8-10 of 1 cent per 100 more.

In all ages of the world's history since commerce was first instituted among men there have been opportunities by the

SKILLFUL USE OF FIGURES

in proving to the poor man that he is being abused by the rich men and in proving the individual that the corporation is his natural enemy, but never was a subject more capable of being twisted with mischievous effect by the skillful use of figures and the slinging out of technicalities than the subject of transportation.

In discussing freight rates a man in Adams county might say: Gentlemen, you are corn raisers. I wish to show you wherein you are paying extortionate rates on corn. He then points out that the rate on corn from Hastings to Sutton, twenty-five miles, is 5 cents per

hundred pounds while the rate from Omaha to Chicago is only 12 cents per hundred pounds, the distance 500 miles, or twenty times as far. This shows how this discrimination, corn rates keeps the farmer poor. He wishes to have it so adjusted that the rate between Hastings and Omaha shall be as low proportionately as between Omaha and Chicago. In only half of the truth he has a right. The Adams county farmer has no occasion to ship corn from Hastings to Sutton. If the conditions were such that he could not consume his own products here in the state, he would ship it from one town to the other, short haul and if we had, for our own lumber and mines for coal and salt, if we exported to a far distant market and imported nothing from a far distant market, our commerce as a state, consisting of an exchange of commodities among each other, then we would want the rates adjusted as to the short haul; and discriminating against the long haul. Not only the Adams county farmer would want a low rate from Hastings to Sutton, but he would want the through rate between Illinois and Nebraska as low as possible, to prevent the Illinois farmer from sending his farm products into Nebraska to compete in the Nebraska market with the Nebraska product. If the farmers in Illinois could have their will in the adjustment of Nebraska rates they would so adjust them as to make the long haul rate between Nebraska and Chicago so high that it would practically exclude Nebraska grain and stock from the Chicago market.

THE ADAMS COUNTY FARMER

is not engaged in selling corn in the Chicago market, but in the Chicago market and the price he receives for his corn is the price in Chicago, less the costs to get it there. In making this cost it is not material what the corn pays as it travels between Hastings and Sutton or between Hastings and Omaha or what it pays while passing through Iowa or Illinois, but whether when it has reached Chicago it has traveled on a through rate for the whole distance, or on a rate with the through rate for the distance paid by Iowa and Kansas, with which it must compete in the Chicago market. The Adams county farmer cannot expect the railroad to annihilate distance. He cannot expect the produce of his farm, located Central Nebraska to be hauled down to Chicago at the same identical cost that of the Iowa farmer who is several hundred miles nearer. He has, however, a right to demand that his product when it comes in competition with the Iowa products in Chicago, pay a lower rate per mile, in proportion to the longer distance it has traveled.

By investigation we find that discrimination is in favor of the Nebraska product as compared with the Iowa. Take an example. The rate on corn from Hastings to Chicago is 10 cents per 100 pounds. To reach Chicago it travels 625 miles and pays at the rate of 7 1/10 of 1 cent per mile. For Murray, Iowa to Chicago the rate is 17 cents per 100 pounds. The distance is 365 miles and the rate per mile is 1 cent. The Nebraska corn travels at 6 1/10 of 1 cent, while the Iowa corn pays 1 cent per ton per mile.

Now let us take a Nebraska hog and see whether the discrimination is against him and in favor of the Iowa hog. Take him from Republic City to Lincoln alive at 16 cents per 100 pounds. Take the product from Lincoln to Chicago at 25 cents per 100 pounds, and your Nebraska hog has paid 41 cents per 100 pounds to reach Chicago, 620 miles away, his freight being at the rate of 1 1/4-100 cents per ton per mile. Take the Iowa hog, his freight to Chicago, a distance of 400 miles at the rate of 1 6-100 cents per ton per mile. From Elch Hill, Mo., Lincoln, Neb., the distance is 287 miles and the rate is \$1.15 per ton, or four tenths of 1 cent per mile per ton. The Iowa rate on an "A" road for 287 miles would be \$1.22 per ton or 45,000 of 1 cent per ton per mile, a difference of 287 mile haul in favor of Nebraska 7 cents per ton. From the Muehler lick mines the coal rate to Lincoln is \$1.27 per ton, the distance being 35 miles. The Iowa rate on class "A" road for the same distance is \$1.31 per ton, or 4 cents per ton in favor of Nebraska.

OVER TWICE AS FAR.

We have given you in the foregoing a brief history of the rate matter as we have found it and from that history

The Sioux... That which... anything... Iowa... model for... there are... sympathize... body... the mind... are on... moving... There are... downward... what... noting... of 1... of six... are, there... your... This is what... a game of... should be... of nobility... are on the... But there... with... and should... going to... of the... smaller... The grand... Truly... double... the... and... mentioned... of western... of our... of the... equalled... The... and winter... to do... Holly Jo... paper to... for a... You... reader... members... Published... he is... of the... simple... The... E. L. SM... Fashion... Everything... artist... and... order... Hains... The... The... Or... S1... How is... best... Word in...