

# THE FREIGHT RATES

## Inter-State Commerce Commission's Hearing.

### MANY GRIEVANCES RECITED

### Business Men and Railroads Well Represented.

### COMMISSIONER PROUTY IS PRESENT

Many Witnesses are Being Sworn and Important Testimony is Being Taken—Session May Continue During Tomorrow, Sitting is in the City Hall.

From Monday's Daily

The hearing of the complaint filed by Chas. H. Johnson before the interstate commerce commission last July, in which it is alleged that Norfolk is discriminated against in the matter of freight rates, was commenced at the city hall this morning before Commissioner Prouty of Vermont, who is the only one of the commission present. In opening the case the commissioner announced that it was not a hearing but simply a sitting to take testimony. A quorum of the commission is required to give a hearing. While it had been expected that a quorum would be present, when the date was announced, since then the plan of the commission to go to the Pacific coast had been changed, and only a sitting could be given at this time. He had expected to meet one more of the commission here, but he had not arrived. After the testimony is taken, the case will be submitted on briefs to the commission.

The case is being conducted on the part of the complainant by Spencer Smith of Council Bluffs, an attorney of wide reputation in railroad matters, and who was chairman of the Iowa commission that formed the freight law of that state. He is being assisted by Fred H. Free of this city.

The railroads are represented by G. F. Bidwell, general manager of the Elkhorn system; B. T. White, general solicitor, A. H. Merchant, assistant general freight agent, W. H. Jones of the freight department, of the same road; H. M. Pearse of St. Paul, general freight agent of the M. & O.; Lyman Sholes of Omaha, division freight agent of the M. & O.; C. J. Lane, assistant general freight agent of the Union Pacific; Jas. Orr, attorney for the Missouri Pacific.

In opening the case, the commissioner stated that tariffs are usually considered on file, which does away with the necessity of presenting testimony as to what they are.

Attorney Smith asked if financial reports of earnings of railroads on file with the commission could be offered as evidence. There being no objection, they were offered.

The commissioner stated that he had read the complaint and answer on file with the commission, while enroute to this place, and that it would not be necessary to read them again.

Mr. Smith stated that the complaint was prepared some time ago by an attorney not now connected with the case, and he outlined what it is proposed to prove: That Norfolk is a town of considerable importance 75 miles from the Missouri river, and 120 miles from Omaha; that it is composed largely of retail business houses which sell to territory round about from 50 to 100 miles distant; many of the institutions are somewhat of the character of department stores. The contention is that the rate in and out is in excess of the rate from Chicago and Duluth to other towns of equal distance, which takes up so much of the profits that it has been impossible to establish jobbing trade here; many industries here are discriminated against. Mr. Smith recited the fact that the car load rate to the Missouri river on first class freights is \$60.00, which means either to Sioux City or Omaha; the rate from Chicago to Lincoln is \$68.00 a car; Chicago to Fremont \$68.00 a car; Chicago to Yankton \$72.00; while the rate from Chicago to Norfolk, only 80 miles farther than Fremont, is \$122.00; this is discrimination against Norfolk. The discrimination applies to all classes of freight.

Attorney White stated that it is the manifest desire of Norfolk to be put upon the same basis as Fremont and other towns of like character. If this desire were granted and Kearney and other towns which are contending for the same issue should be placed upon the same standing, it could not bring any advantage to Norfolk. There are no towns of great importance on the Elkhorn line, none west of Norfolk. Beyond this place the road passes through a sparsely settled country which does not bring a revenue to the road as compared with the through lines which pass Lincoln and other points so located. Those towns should not be considered a criterion because of the difference in the situation, and the roads should be justly entitled to charge a higher rate to Norfolk than to Lincoln. Lincoln had a differential

of 10 cents when the Missouri Pacific built into that town and reduced the rate to 5 cents more than the Missouri river rate. Now Fremont and all towns between Lincoln and the river have practically the same rate.

The commissioner stated that he came through several towns between Blair and here, and asked as to the rates in those towns. The reply was that they are all based on the rates to Blair.

The commissioner stated that there are two kinds of discrimination, one an unreasonable rate and the other that some town in competition has a better rate.

Mr. White stated that Norfolk stands on a parity with other towns around for a distance of 75 miles, and that the rate into this city is made the same as into other towns similarly located. He claimed that it is not discriminated against in any sense. The railroad companies do not wish to tear down Norfolk nor to build up other towns at the expense of Norfolk. All rates to the Missouri river, between Sioux City and Kansas City are the same, and west of the river the territory spreads out and is reached by many roads. Fair treatment to all is the aim of the companies.

Mr. Smith admitted that the competition of the roads at Fremont and Lincoln probably justified the rates there but the road was built into Lincoln from Fremont after the line had been extended to Norfolk and in building to Lincoln the Elkhorn must have been looking for trouble along that line.

In reply to the commissioner it was stated that the short line haul from Sioux City to Norfolk was 75 miles and from the Missouri river to Fremont it was 27 miles.

The first witness sworn was Mayor Simpson who was asked to give a summary of the industries and advantages of Norfolk. He gave the population at about 5,200. Have three railroads, electric light station, beet sugar factory—which is the leading industry, state insane asylum, sheep feeding business, creamery, cold storage plant, foundry which makes a specialty of warm air furnaces, steam laundry, high school, four ward schools and cereal mills that manufacture a special brand of breakfast food.

On being cross-examined by Mr. White he said he had lived here 13 years and that the railroads are the Union Pacific, F. E. & M. V., the C., St. P., M. & O. and a branch running to Verdigris. The sugar factory only manufactures sugar about three months in the year. Mr. White asked if the F. E. & M. V. company was not instrumental in getting the factory here. Thought it was probable they had aided. Had heard of no complaint from the sheep feeders. Asked if he knew there had been an adjustment of rates in regard to the creamery. Said he didn't. Said he considered the territory of Norfolk extended south as far as Humphrey, north to Creighton and west to O'Neill. Depend mostly on the west. Mr. White by questions sought to show that this was an agricultural country and that it ceased to be of agricultural importance west of Norfolk and depended on stock grazing and feeding. He also desired to show that there was a large influx of people west in the hope of building up agricultural interests but that they had been compelled to leave the country. Mr. Simpson admitted that there were no packing houses here and that the market for live stock was in Sioux City and Omaha. Commissioner Prouty also interrogated the witness in regard to a number of points on which he wished more information.

Col. S. S. Cotton was the next witness on the stand. Said he had lived here 18 years and was first interested in the milling business, but was now in no particular business other than that of looking after his property interests. It was desired that he give his best information as to what benefit a lower rate would be to Norfolk. Mr. White objected to the question and asked the commissioner if it was customary for objections to be made. The commissioner said it was, but that it was also customary to overrule them and this objection was therefore overruled. Witness thought answer could properly be made by citing an instance. Two years after he came here Paxton & Gallagher started a wholesale house and did a good business, but a few years later the house was discontinued because of a change in freight rates, he understanding that the railroads didn't desire to make Norfolk a distributing point. At that time Norfolk had the Union Pacific, Elkhorn and Omaha lines. Don't know what changes were made at that time. A lower rate would be a benefit. On being cross-examined by Mr. White witness thought the rate to Paxton & Gallagher was before the interstate commerce law had been passed. Said Norfolk had 600 or 700 inhabitants when he came in 1881 and had enjoyed a steady growth since with the exception of the last two or three years. The growth of Norfolk compared favorably with the growth of neighboring towns during hard times. Said his property consists largely of real estate including farm lands. Farm lands near Norfolk worth \$50 or \$60 to \$100 an acre.

N. A. Rainbolt—Came to Norfolk in 1882; occupation, a banker and was familiar with different industries; was not posted in regard to rates. One of the leading industries was the sugar

factory, which was conducive to the prosperity of the people. It cost originally between \$300,000 and \$600,000. About \$250,000 has been placed on improvements since, outside of land purchases. Cost now approximately \$700,000 or \$800,000. During campaign employs between 225 to 300 men. Farmers in handling the crop employ an equal number and possibly more. They have a working force employed the year around of perhaps 25 to 30 men. The city paid a bonus of \$150,000 in cash. He told of the Paxton & Gallagher enterprise. Had a conversation with their representative, who said they quit because of discrimination in out and in shipping rates. Mr. White wanted to know if the railroads had contributed toward securing the sugar factory. Witness said they contributed \$5,000, but were solicited for \$10,000. Private citizens had contributed \$5,000. Was not interested in the sugar factory otherwise than as a citizen. Asked if he didn't know that beets were hauled for practically the switching charges he said he didn't know.

W. H. Dexter came here in 1884, was now in acetylene gas business formerly with Paxton & Gallagher. House was established here in 1883. He came Jan. 1, 1884, to take charge and business was discontinued about October 1, 1885. The rates were the result of an agreement between the Union Pacific and Elkhorn lines. Was able to meet fair competition west to the end of the line, east to West Point, south to Humphrey and north to Creighton. The last year their business amounted to about \$155,000. Goods were shipped and billed from here. Another man beside himself with a family was engaged in the business, also two young men and two draymen. Withdrew principally on account of railroad freight rate and because they had to build in order to accommodate a growing business. The main house was in Omaha. Had not been engaged in a similar business since. About April or May of 1885 Mr. Gallagher was here for the purpose of buying lots and building but after he was notified of the withdrawal of rates he made no further effort. Had his information from Mr. Pickens, now general manager of the house in Omaha. After withdrawal of rates house did nothing except to close out the stock on hand. The freight was prepaid at Omaha and in outshippings was paid by the purchaser. Goods were shipped in car lots at about 30 cents a hundred. Got a rebate of about 20 or 23 per cent. Thought rate with the rebate would perhaps equal about 23 cent rate. Rate was secured by an understanding between the house and railroad company. Mr. Gallagher, he thought represented the house and Mr. Morehouse the railroad company.

R. A. Stewart was the next witness sworn. Moved here in 1888 was in banking business for eight years and now in creamery business. He recited the experience of Jas. H. Hamilton who claimed to have been driven from Norfolk to Sioux City by a discriminating freight rate. Didn't know the exact circumstances. Said the creamery business covered a large territory and was represented by 21 creameries and separator stations. Mr. Harding endeavored repeatedly to get a reduction of freight rates. Thought companies could afford to ship by freight as cheaply as by express. Result was express rates were raised. They shipped east and west. Mr. Haskell of Lincoln buys cream west of us and in competition. The creamery makes about 2,000,000 pounds a year. Demand west is good and growing. Didn't know the rates.

Mr. White examined witness who admitted that he had lately increased his interest in the business and thought it was a good business. Asked what a reduction of rates would benefit, he said they could pay larger prices to dairymen and farmers and thus increase the amount of finished product. Had facilities and men here to handle a much larger quantity and while profits would not be increased the more butter made the more they would receive. Mr. Harding left because could do better elsewhere. Made a profit of one cent a pound.

A. H. Allinson was sworn and asked about creamery business. Couldn't say what class freight butter was shipped under. Paid about 61 cents to Chicago and \$1.08 to Deadwood. Had never made a complaint. Was manager since December, before that had been secretary of the creamery company.

H. H. Patterson—Run electric light plant and buy coal. This was objected to because coal rates had not been complained of. Mr. Smith then desired that the coal rate be incorporated in the complaint and request was granted. Buys coal in Wyoming—price was 25 cents at the mines and freight charges were \$3.25. Had bought coal from Iowa but Kommerer and Rock Spring was better quality. Asked as to charge per month Mr. Patterson said for incandescent lamps it was 80 cents. Mr. White thought he couldn't have no objection if he got it but the commissioner thought the people who paid it might have objection to the rate, he also thought the showing was important as showing why manufacturers could not prosper.

E. A. Bullock was sworn—Had been in the foundry business and manufacturing a warm air furnace for seven years. Pig iron was shipped in and manufactured and distributed. Couldn't compete with like business in other towns because the regular tariff rate from the Missouri river was practically a loss to the manufacturer—A shipment could be made west of Norfolk from Sioux City at practically the same rate that same shipment could be made from Norfolk therefore the Norfolk man lost what it cost to get the raw material from Sioux City to Norfolk. Had tired of sharing his profit with the railroad company and had transferred a large share of his interest to Sioux City. Had 15 men employed at Sioux City and two at Norfolk. Business was still continued here. Mr. White wished to know what it cost to make the furnaces, but Mr. Bullock objected to revealing his private business and objection was sustained by the commissioner.

The hearing was here adjourned for dinner and met again at 1:30.

# THE CASE CLOSED.

## Freight Rate Hearing Before Commissioner Prouty.

### VAST AMOUNT OF EVIDENCE

### Representatives of Citizens and Railroads Heard.

### CASE LASTED A DAY AND A HALF.

Arguments Will be Heard Before the Whole Commission, Probably in May. Impossible to Predict the Result but it Looks Favorable to Norfolk.

From Tuesday's Daily.

The sitting given by the interstate commerce commission to hear the complaints of Norfolk merchants in regard to alleged freight rate discriminations against Norfolk merchants was concluded today between 12 and 1 o'clock. It began yesterday morning at 9 o'clock, continued through the afternoon and up to the hour stated today, being practically a day and a half devoted to the hearing of testimony. During that time considerable interesting testimony was adduced and the business men generally are satisfied that their case has been laid before the commission in a comprehensive and exhaustive manner. After the testimony had been heard Commissioner Prouty stated that there would be an opportunity presented by the commission for the hearing of arguments, perhaps in May, when the commission would be in Omaha. He stated that the arguments could be presented either orally or in the form of briefs or both and the parties interested signified their willingness to present their arguments at that time. The sitting was then adjourned.

It is impossible to say what effect this sitting will have on the Norfolk situation but the case will be decided on the merits of the testimony and if the commission can see its way clear to do so Norfolk will probably be granted a better through rate. Those who attended were convinced of Commissioner Prouty's unprejudiced position and are confident that the decision will be a fair one to both parties concerned.

### AFTERNOON SESSION.

When Commissioner Prouty called the meeting to order yesterday afternoon E. A. Bullock was recalled to the witness stand. He testified that the freight on scrap iron from here to Sioux City was 10 cents a hundred pounds for a haul of 74 miles and the rate from here to Council Bluffs, a haul of 120 miles was nine cents a hundred. The rate from the Iowa coal regions to Norfolk, 308 miles, was \$2 per ton; while to Blair, a distance of 288 miles it was \$1 per ton. From the same region to Lincoln, a haul of 391 miles the rate was \$1.20 per ton and to Fremont, 300 miles, it was \$1.16 per ton. He further testified that the rate per ton per mile from Sioux City to various points in the state was about one-half what it was to Norfolk.

R. B. Weller, of the Chicago Lumber company, gave testimony the purport of which was to show that Norfolk, under present rates, couldn't be made a distributing point for lumber. The balance of the afternoon was devoted to hearing the testimony of Chas. H. Johnson who again gave evidence of the profound study he had made of the freight rate question and showed himself thoroughly posted in every particular. He was asked as to what points he considered as competitive and on which Norfolk should be placed at a parity with the rates from Chicago to Omaha, Lincoln, Fremont and Sioux City.

He introduced tabulated exhibits showing a comparison of rates on shipments from 100 to 20,000 pounds and on carload lots showing a discrimination against Norfolk. As an instance his exhibit on a 100-pound shipment from Sioux City is filed. From that place to Hartington, a distance of 73 miles the rate is 38 cents; to Magnet, 77 miles the rate is 40 cents; to Wausa, 81 miles, 40 cents; to Bloomfield, 91 miles, 42 cents; to Hope, 72 miles, 42 cents; to Beemer, 152 miles, 44 cents; to Lincoln, 153 miles, 40 cents; Superior, 249 miles, 51 cents; Petersburg, 270 miles, 50 cents; Hastings, 227 miles, 52½ cents; Albion, 270 miles, 50 cents; Creighton, 116 miles, 50 cents; Pierce, 89 miles, 47 cents. To Pierce the M. & O. hauls into Norfolk, unloads and reloads and hauls 15 miles further for two cents, while to Creighton the same performance is made, the consignment is hauled 41 miles farther for five cents. The rate from Sioux City to Norfolk is 45 cents.

Commissioner Prouty asked what would be a fair rate from Sioux City to Norfolk and was told that from 28 to 30 cents would be fair. He also asked what established the rate of 45 cents and was told it was the long haul of 119 miles from Omaha to Norfolk.

Mr. Prouty thought it astonishing that the long haul should establish the rate but did not want to be understood

that he considered it an unjust rate, but it was singular and perhaps there were other reasons for it not apparent on the surface.

Mr. Johnson introduced comparative rates from Minneapolis, Duluth, Chicago, St. Louis, Kansas City and St. Joe by which it was shown that points from which it was desirable that Norfolk merchants should have the advantage of low and equitable rates they did not get them, but that from points where there was nothing for them to buy, as from Minneapolis, St. Joe and Kansas City where such goods as he and other merchants handle were not made a specialty of, there was a very just rate, being a difference of about 20 cents per hundred pounds on car load lots.

Mr. Prouty asked what he claimed would be a just rate from Chicago to Norfolk and he thought about the same rate as was applied to Lincoln \$68 a car instead of \$122 as at present.

Mr. Orr of the Missouri Pacific wanted to know if that were done how they would get away from the Lincoln situation.

Mr. Prouty said there seemed to be a way in every case but where Norfolk was concerned. Mr. Johnson went on to say that ever since he had been doing business in Norfolk he had been trying to get rates from Chicago to Norfolk by way of Sioux City but had not yet succeeded because all tariffs stopped at Hope and that Norfolk was not on the railroad map.

A few questions were asked by Attorney Smith to make some points clearer and Mr. White was asked if he desired to question the witness. He said he didn't desire to as the testimony was all substantiated by the evidence introduced.

The sitting was then adjourned to meet this morning at 8:30.

### MORNING SESSION.

The session was convened at 8:30 this morning and business was at once proceeded with.

The first witness called was C. A. Alexander, manager of the cold storage plant. His testimony went to show that under existing rates a cold storage business here is at a disadvantage. It must compete with Fremont, Lincoln and other towns in the same territory, but must pay a higher rate of freight. The rate from Fremont to Chicago is 45 cents per hundred or \$108.00 a car, while from here it is 61 cents or \$146.50 a car. The Norfolk plant shipped 30 cars of products last year, principally to Lowell, Mass., to which point the rate is \$1.32, or \$116.80 per car.

Chas. H. Johnson was again placed upon the stand and said that in part his contention is for reparation or damages for the overcharges that he has paid during the past ten years. In evidence of the fact that he has been overcharged he filed freight bills on pianos, showing that he had paid more than he would have done had he been located in towns no farther distant from Boston. He stated that he wanted to recover the excess that he had paid over what the rate would have been had the Fremont rate been taken as a basis. He showed that his business had been seriously affected by the discrimination, as Omaha and Lincoln merchants can invade his territory and deliver goods at a less rate than he can.

The commissioner wanted to know to what an effect his business had been damaged, and he replied that it would amount to about \$8,000 for the ten years. When he first commenced business in Norfolk the rate was satisfactory, but when the roads changed the classification it worked to the disadvantage of the Norfolk merchant and in favor of the Omaha dealer. He showed that no point in Nebraska the same distance from the river has as high a rate as Norfolk, and no point in Nebraska or South Dakota the same distance from Chicago is paying as much as are the merchants of this city. He showed that fireworks are shipped into Norfolk by express at a less rate than by freight, the rate being 75 cents as against 90 cents by freight. Hard coal is shipped cheaper from Duluth to Lincoln than it is from the same place to Norfolk. There is a better rate to Yankton, S. D., from St. Louis than to Norfolk.

Mr. White asked what benefit it would be to Norfolk if the line to Lincoln be discontinued, to which Mr. Johnson replied that Norfolk would still be discriminated against.

H. A. Pasewalk was placed on the stand and stated that the car load rate on agricultural implements from Chicago to Norfolk is 48 cents a hundred, while the rate to Omaha is only 30 cents, and the same applies to goods shipped from Moline. Asked as to the actual effect this rate has on his business, he stated that formerly he acted as distributing agent in this territory for binders and repairs, but since 1894 that business had been discontinued on account of the freight rate.

Attorney Smith filed a statement having a bearing on the case and then the complainant rested his case.

It was announced that the testimony would be written out and copies furnished the railroads interested and the complainant. It was arranged that the exhibits should be left with Mr. Smith, where they could all be seen by all concerned and copies made of them if desired.

In opening the railroad side of the case, Mr. White secured permission to

file a map showing the Norfolk situation as the railroads see it. Then Mr. White wanted to know what the commissioner wanted to hear from the railroads. The commissioner replied that he wanted to know what effect any reduction would have on the revenues of the roads, and he would also like to have a showing made as to what makes and controls the rates.

Mr. Bidwell stated that the S. C. & P. and F. E. & M. V. are two separate corporations, the latter owned largely by the stockholders of the C. & N. W., but under a separate management. The Union Pacific and Burlington systems are the chief competitors. The F. E. & M. V. starts at Fremont and from that town to Blair it has a trackage contract over the S. C. & P., by which it pays one-half of the interest charges and its proportion of the expense. The owners of the C. St. P. M. & O. are entirely distinct from the C. & N. W., although the owners of the stock of the C. & N. W. own a per cent of the St. Paul road.

General Manager G. F. Bidwell of the F. E. & M. V. road was introduced by the defense and sworn. He was asked what effect on the revenues of his road there would be if Norfolk was accorded the Lincoln rate. He stated that the Elkhorn would be compelled to reduce all rates east of Norfolk to Fremont and establish virtually a blanket rate west of Fremont. West of Norfolk they would have to build up a rate at a like reduction to the west line of the state. The reduction would also affect all other lines doing business in the state. The Union Pacific would be compelled to make the same reduction to Columbus and would build up from Columbus west to the state line. The changing of any rate would cause the checking up of the entire state before the change would be entirely apparent. The St. Joe and Grand Island would have to carry the same rate to Grand Island and the effect would be felt across the line in Kansas.

In regard to the scope and character of the territory west of Norfolk witness stated that for a distance of about 50 miles the territory was agricultural, beyond that for about 50 miles semi-agricultural and from there to the west line of the state, about 200 miles, it was a stock grazing region of no value to agriculturists.

The South Platte country west of a line south from Valentine was somewhat better for agricultural purposes, but none of it was first class. The population of the South Platte country was larger and towns more plentiful owing to its being an older settled country. Under irrigation in the South Platte country was being farmed, but there was no irrigation along the Elkhorn.

The western terminus of the Elkhorn was Casper, in Wyoming, and Belle Fourche in South Dakota. It has no through line to the coast.

The traffic from South Dakota was largely stock shipments. This testimony was intended to show that while Fremont and Lincoln had better rates than Norfolk it was because of a through line to the coast and also because there was a better country west of them.

He considered the question of how rates were established a most intricate one. The roads employed the best talent obtainable in their efforts to overcome the apparent inconsistencies existing and it must be believed that they were thoroughly wise in the matter, thoroughly honest and at all times having the interests of the communities through which the roads passed at heart.

It is a matter of great grievance to the Elkhorn that people are not satisfied with that road's treatment of them. They have done more for Norfolk than any other town on their line outside of the capital and the state's metropolis. The terminals are established here, repair shops are located here and the company had considerable to do with securing the sugar factory to locate here. The superintendent's office and division headquarters are located here and the number of people deriving their support directly from the railroads is approximately 1,000. He wished to correct any impression that may exist that Norfolk had not been fairly treated by his company.

Mr. Bidwell then went into detail to show how the rates were established. He began at points on the great lakes where Duluth, Minneapolis and St. Paul, and Chicago were competitive points. Showed wherein St. Louis came in for her share of business and by an intricate system of reasoning along the "triangle" basis explained any apparent discriminations. All these points have feeders of large systems of railway which as they proceed west, come into competition for the business along their lines. Where the feeders of these great systems meet or come into competition they are compelled to adjust the long and short haul rates. He stated that a shipment from Chicago to Omaha by way of St. Louis was carried as cheaply as a shipment direct to Omaha by way of Clinton.

Coming across the Missouri river the Lincoln situation is encountered. By a nice system of reasoning he explained this situation. The jobbers of Omaha and St. Louis were in competition for the trade at Lincoln and west.

The Elkhorn and Union Pacific lines both come by way of Lincoln and the Union Pacific has been forced to meet