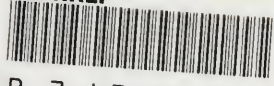


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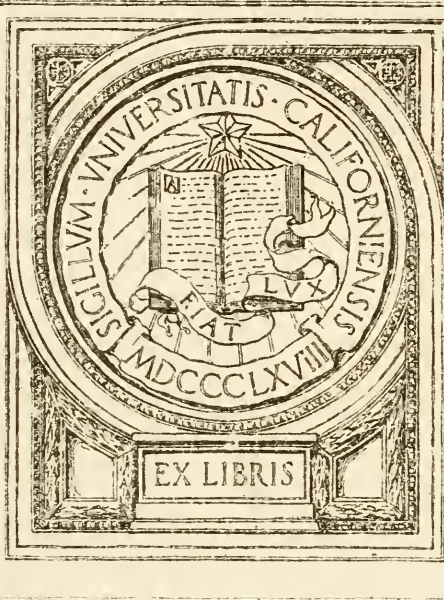
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RAILWAY MAIL PAY

STATEMENT, BRIEF, AND SUGGESTED BILL



SUBMITTED TO THE

COMMITTEE ON POST OFFICES AND POST ROADS
UNITED STATES SENATE

SIXTY-THIRD CONGRESS
THIRD SESSION

ON

H. R. 19906, H. R. 17042, and S. 6405
BILLS PROVIDING A READJUSTMENT FOR
RAILWAY MAIL PAY

Printed for the use of the Committee on Post Offices and Post Roads

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RAILWAY MAIL PAY.

The inquiry into the question of railway mail pay did not originate in any fault or criticism of the law of 1873 as an administrative measure, but was inaugurated to support if possible a declaration of a former Postmaster General that the railroads were overpaid for carrying the mail.

The report of the joint congressional committee seems to be conclusive as establishing the fact that the railroads are underpaid and not overpaid, and so far as the administrative practicability of the present law is concerned we have only to refer to the praise which has been bestowed upon the conduct and development of the Postal Service by each successive Postmaster General for indorsement.

There can not be very much wrong with a law which has been in successful operation for more than 40 years, under which the Postal Service has developed into the biggest and best service of its kind in the world and which commands more and more the admiration of those who are familiar with all the features of its operation. It adjusts itself automatically to the needs of the service, and under it, if the rates are just, the cost of railroad transportation can never be disproportionate to the revenue received therefrom by the Post Office Department, because the rates decrease as the volume of mail increases.

Anyone interested in and favorable to the successful operation of the Postal Service must regret the scant consideration given to the perfection of the present system by the joint congressional committee and view with much concern its venture into untried, experimental, speculative, and, to those most competent to judge, totally impractical methods. Much was said during the progress of the investigation about trying to find a basis or plan which would be fair to the Government on the one hand and to the railroads on the other. In that connection it is worth while to inquire just what the relations of the Government are in the matter of the transportation of the mails on railroads. Who is the Government? Is it the Post Office Department, or is it the great body of the people who directly and specifically pay the Post Office Department on a weight basis for each unit of transportation furnished by it to them, and does this public know or has the Post Office Department ever told it that the profit arising out of the transportation of mails on railroads is what enables the Post Office Department to pay for all its unremunerative service and establish a surplus? Does the public know that without railroad transportation there would be practically no universal Postal Service, and that what there might be would be absolutely unremunerative and a charge on the Public Treasury, and if the public knows these

things is it willing or does it want the railroads to be taxed through practical confiscation by inadequate rates and burdensome conditions to support the unremunerative branches of the Postal Service?

However these things may be the joint congressional committee was undoubtedly sincere, and we know it was very patient and painstaking in its efforts to get all the facts and to arrive at correct conclusions. The question of the adequacy of the present compensation to the railroads either upon a basis of cost or of comparative revenue does not present any very great difficulties, but when the committee departs from the basis or system upon which that ascertainment has been reached and endeavors to find a new plan upon which to adjust the pay of the railroads, and is evidently influenced by a desire to maintain an approximation of the cost of the new plan to the old one, it has a very different and much more difficult problem on its hands.

Very naturally, perhaps, since it has appealed to previous committees which have investigated the subject, space as a basis of pay was adopted by the joint committee in its recommendation for legislation, but unfortunately there is nothing more stable than individual opinion to tie a space plan to, and this is well illustrated in the footnotes to the tables on pages 18 and 19 of the joint committee's report, which show that the committee after nearly two years of investigation had no sure foundation for its recommendation, and that its estimates of space necessary for the conduct of the Postal Service and the cost thereof are mere approximations, subject to such wide fluctuation as administrative policy may suggest. In the recent debate in the House of Representatives on the Moon bill, Chairman Moon stated in effect that while his bill showed an increase in compensation on its face of \$2,000,000, it was expected by the exercise of administrative discretion to have the parcel post carried for nothing and the pay of the railroads reduced \$8,000,000 per annum. Why might not the exercise of administrative discretion in the other direction place an unnecessary burden upon the people? Is any law susceptible of such manipulation a good thing? Is it not better to have an absolutely automatic basis which will itself control and fix the compensation in accordance with the service performed?

In the table on page 18 of the joint committee's report a classification of the service with average distances and rates for each class of service is shown. While the committee in a footnote admits the inaccuracy of this table, it may confidently be stated that if it were correct the contemplated averages would not work out on any single railroad system for the reason that the exact proportions in each class of service would have to be maintained in order to produce those averages. In the table on page 19, showing the estimated compensation to the railroads, the same admission of inaccuracy appears in the footnotes, and Congress is left without any definite or sure basis upon which to form its conclusions as to the cost of the service.

In fixing the rates for space the joint committee selected the average earnings of cars in passenger trains as a basis, but scaled those rates so as to bring the earnings materially below the earnings of passenger cars, which are generally regarded as unremunerative. Why the average earnings of cars in passenger trains should be so selected is not quite clear, unless because it is easy. Passenger service on railroads is a compulsory service, it must be performed for

the convenience of the public whether it is compensatory or not. The rates are not voluntary rates made by the railroads, but they are made by legislatures and commissions, and are presumed to be fixed at the lowest figure the railroads can possibly stand. The element of public necessity applies to all classes of service performed in passenger trains. Consequently in selecting such rates as a basis for the compensation to railroads for the transportation of the mails the joint committee has, perhaps unconsciously, used the most expensive and least compensatory service performed by the railroads in arriving at its conclusion as to what a fair rate to the railroads would be. Again, there is no good reason why a rate for the transportation of the mails should be based upon another and totally dissimilar service simply because it is performed in the same train. The joint committee was seeking a fair rate; why should it have chosen an admittedly unremunerative service as its guide?

Perhaps most serious of all the features of the space plan is the fact that the rates proposed are maximum rates which absolutely disregard the element of efficiency and limit the earning capacity of the facilities of the railroads. If one car performs more service than another is it not entitled to earn more, the same as a factory, a bank, or an individual?

The character of the matter now handled in the mails admits of great injustice to the railroads, since, with a limited rate per car-mile and unlimited loading, the Post Office Department can transport in passenger trains commodities withdrawn from express and freight movement cheaper than the same matter can be transported as freight in freight trains at rates prescribed or approved by State railroad commissions or the Interstate Commerce Commission, and an element which will be at once recognized as objectionable and dangerous is the fact that under the proposed plan and rates the Post Office Department can and inevitably will introduce discrimination as between shippers by freight, by mail, and by express, a thing which is prohibited by the laws regulating interstate commerce and which would result in prosecution if undertaken by the railroads.

The transportation situation, especially in the South, is precarious, the railroads as a unit are opposed to any space plan of compensation. Such a plan is economically unsound, as well as unfair to them, and is inconsistent with the system upon which railroad transportation is conducted, as well as with the manner in which the revenues of the Post Office Department are collected. The Postmaster General has recognized the principle involved in a letter addressed to Chairman Moon, of the House Committee, dated August 7, 1914 (Congressional Record Aug. 8, 1914, pp. 14718-14719), in which he says "any expenditure of the money of the people shall bear some fixed relation to the returns received from such expenditure." He has carried the principle into practical application by contracting for star route service in the West on a weight basis, and by introducing weight as one of the factors controlling the compensation of rural delivery carriers. As there is no other method by which a fixed relation between the expenditures for railroad transportation and the revenues of the department can be maintained, it would seem that the Postmaster General is committed to a weight basis for railway mail pay.

That is what the railroads ask for, and the only modifications in the present law as to weight recommended by them are that the rates now paid be made fixed and not maximum rates, and that such weights be ascertained annually instead of quadrennially. They also ask that they be paid prorata for apartment cars, as contemplated in the report of the joint congressional committee, and that the administrative features of the bill proposed by the joint committee particularly that looking to the relief of the railroads from side and terminal service, be enacted into law.

BRIEF REGARDING LEGISLATION FOR RAILWAY MAIL PAY CONTAINED IN HOUSE BILL 17042 WHICH PASSED THE HOUSE OF REPRESENTATIVES ON AUGUST 11, 1914, AND IS REPEATED IN THE POST OFFICE APPROPRIATION BILL (H. R. 19906) WHICH PASSED THE HOUSE OF REPRESENTATIVES ON DECEMBER 31, 1914.

COMPULSORY CLAUSE.

One of the final clauses reads as follows:

It shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

This provision originated in the Post Office Department. Its first appearance was in Postmaster General Hitchcock's tentative draft of proposed law for regulation of railway mail pay submitted to Congress on August 12, 1911. It supersedes the present condition of free contract every four years, which has been in operation for over 50 years; in fact, since the time that mails were first carried on the railroads. It would give the railroads a standing in court to recover fair and just compensation, but it is entirely unnecessary so far as the operating efficiency of the Postal Service is concerned. This is evidenced by the high character of the existing Railway Mail Service under the free contract system. The legislation is also entirely unnecessary if the law provides for fair and remunerative rates.

NO DEFINITE RATES.

While rates are named in the proposed law, they are all stated as "not exceeding" certain figures, leaving it discretionary with the Postmaster General as to what rates will be paid according to his judgment exercised in connection with a multitude of details. It is, therefore, evident that the judgment will be really exercised by hundreds of subordinate officials and accepted and concurred in by the Postmaster General. Taking these two provisions together it may be said that the railroads will be compelled under heavy penalties to carry the mails at such rates as the Postmaster General may determine. Yet, the rates that are named in the proposed law have been characterized as "absolutely confiscatory" in the report of the joint congressional committee (p. 81).

THE SPACE BASIS.

The proposed law entirely changes the method of paying for the mail service. At present the law provides so that 90 per cent of the

pay is based upon the weight of mail carried and about 10 per cent is expended for the extra space occupied by the traveling post offices in full railway post-office cars. The proposed law would pay about 98 per cent of the pay on the basis of "space authorized" by the Postmaster General and only about 2 per cent on the weight of mail actually carried.

Although the Government fixes the postage rates on the weight of mail to be transported, it would seek to pay the railroads on a different basis. The new basis—space authorized—would be determined as to its quantity by hundreds of local postal officials throughout the country, and would be a matter of judgment having no direct relation to the essential service performed, which is the transportation of the mail itself.

While the proposed plan claims to be "scientific," it is contended that it is absolutely unscientific, because it ignores the vital element, which is the amount of traffic carried. Car space is without significance unless one considers the character, weight, and bulk of the load it contains.

NO DEFINITE PERIOD OF AUTHORIZATION.

The proposed law does not provide any definite period for the authorization of car space. It is, therefore, possible that authorizations might vary greatly according to individual opinion, but the burden of providing space for the authorization would remain with the railroad companies, and if this involved frequent reconstruction of cars there is no provision in the law for compensation for such additional outlays.

PARCEL-POST SERVICE.

The whole problem of railway mail pay is different to-day from what it has ever been in the past, because of the legislation of August 24, 1912, which delegated to the Postmaster General the privilege of changing the weight limit, changing the postage rates, and all other conditions affecting the parcel-post service. This has been referred to as a transference by Congress of the legislative power to the Postmaster General. Congress, in the parcel-post law of August 24, 1912, prescribed certain specific rates of postage and a weight limit of 11 pounds; also a distinctive postage stamp to provide an automatic report of the revenue from the parcel-post business. Already the Postmaster General has extended the weight limit to a maximum of 50 pounds, has greatly changed the postage rates, has discontinued the distinctive postage stamp, and has changed the classification and mailability of articles to a very great extent. There is at present no limit upon the exercise of his authority to make whatever changes his judgment may suggest, except that he must obtain the concurrence of the Interstate Commerce Commission. However, the Interstate Commerce Commission has up to the present time concurred in all of the Postmaster General's suggestions and apparently regards its acquiescence as almost entirely perfunctory, as the law of August 24, 1912, does not definitely endow the Interstate Commerce Commission with the right to survey the entire field and reach an independent judgment.

If the space basis of pay were adopted by Congress without there being a limitation upon the loading of cars (and there is no such

limitation mentioned in the bill we are discussing or even in the similar bill prepared by the joint congressional committee) the Postmaster General could obtain tonnage rates for heavy parcel-post matter carried on passenger trains that would be considerably lower than the present freight rates on freight trains. For example:

Chicago to St. Paul, 400 miles: The earning of a mail storage car, including the initial and terminal allowance, would be about 21 cents a car-mile. If loaded with 20 tons the mail would be carried at the rate of approximately 1 cent per ton-mile, or \$4 for the journey of 400 miles. The first-class freight rate is \$12 a ton from Chicago to St. Paul. If the mail storage car was loaded with only 10 tons the earning of the railroad company per ton would be about \$8, or only two-thirds of the first-class freight rate.

New York to Boston, 230 miles: The earning of a mail storage car, including the initial and terminal allowance, would be less than 22 cents a car-mile. If loaded with 20 tons, each ton would pay the railroad company 1 cent a mile, or \$2.30 per ton from New York to Boston. The first-class freight rate is \$7 a ton, or about three times as much.

Richmond, Va., to Wilmington, N. C., 244 miles: The earning of a mail storage car would be about 21½ cents per car-mile, including the initial and terminal charge. If loaded with 20 tons the railroad company's earning for a ton carried from Richmond to Wilmington would be about \$2.44, although the present freight rate is \$10 per ton—nearly four times greater.

New York to Philadelphia, 90 miles: The earning of a mail storage car on this route, including initial and terminal allowance, would be less than 25 cents, and with a load of 20 tons it would yield a little over 1 cent a ton-mile. Consequently a ton of mail would pay the railroad company about \$1 for the journey from New York to Philadelphia, whereas the first-class freight rate is \$4.40, and the lowest, sixth-class, freight rate is \$1.90.

If the proposed law is enacted and the Postmaster General uses the power just described he would be employing the railroads' facilities for competitive transportation business, and this condition would certainly be a confiscation of the railroad companies' facilities.

AN ACT To amend the postal laws concerning the transportation of mail on railroads.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Postmaster General is authorized and directed to readjust the compensation to be paid for the transportation of mails on railroad routes upon the conditions and at the rates hereinafter mentioned:

First. That the mails shall be conveyed with due frequency and speed; and that sufficient and suitable room, fixtures, and furniture, in a car or apartment properly lighted and warmed, shall be provided when required for railway postal clerks to accompany and distribute the mails.

Second. That the pay per mile per annum shall be at the following rates, namely: On routes carrying their whole length an average

weight of mails per day of two hundred pounds, forty-two dollars and seventy-five cents; five hundred pounds, sixty-four dollars and twelve cents; one thousand pounds, eighty-five dollars and fifty cents; one thousand five hundred pounds, one hundred six dollars and eighty-seven cents; two thousand pounds, one hundred twenty-eight dollars and twenty-five cents; three thousand five hundred pounds, one hundred forty-nine dollars and sixty-two cents; five thousand pounds, one hundred seventy-one dollars; and twenty dollars and thirty cents additional for every additional two thousand pounds over five thousand pounds and not more than forty-eight thousand pounds; and for each additional two thousand pounds above forty-eight thousand pounds the pay shall be at the rate of nineteen dollars and twenty-four cents per mile per annum. Pay shall also be allowed for all intermediate weights between the units specifically named where the additional weight at the rate stated will equal one dollar or more per mile per annum, the average weight to be ascertained in every case by the actual weighing of the mails for such a number of successive working days, not less than thirty, at such times, after June thirtieth, nineteen hundred and fifteen, as will secure fair annual average weights, and not less frequently than once in every year, and the result to be stated and verified in such form and manner as the Postmaster General may direct. For the purpose of conducting said weighings the Postmaster General may authorize railroad agents and postmasters to take and report the weight of mail at local stations: *Provided*, That where two or more railroads have varying distances between the same points the compensation for competitive mails over the longer distances may be reduced to that of the shortest distance by mutual agreement between the Postmaster General and the railroad companies.

SEC. 2. Railroad companies whose railroad was constructed in whole or in part by a land grant made by Congress on the condition that the mails should be transported over their road at such price as Congress should by law direct shall receive only eighty per centum of the compensation authorized by this act.

SEC. 3. That the Postmaster General may also authorize mail service of the following classes, namely: Full railway post-office car service, apartment railway post-office car service, and side terminal and transfer service.

Full railway post-office cars shall be of a standard length of sixty feet, inside measurement. Apartment cars shall be of two standard lengths, namely, thirty feet and fifteen feet, inside measurements. Side terminal and transfer service shall be the transportation of mail between railroad stations and post offices supplied therefrom and between railroad stations.

Authorizations of railway post-office cars and apartment cars herein provided for shall be for the round trip of the car, and the maximum space authorized in one direction shall be determinative of the space to be paid for in the opposite direction, unless otherwise agreed upon between the Postmaster General and the railroad company in any particular case: *And provided*, That authorizations may be changed only at points where the switching of cars into or out of trains or the transfer of mails between cars used throughout the operating run of a train would not delay the running of such trains: *And provided further*, That not more than one apartment

car shall be authorized on any one train. Authorizations for mail service under this act may be made upon any passenger or mixed train scheduled for public use, and fast mail trains may be contracted for at the rates herein named.

SEC. 4. That the rates of payment for full railway post-office cars and apartment railway post-office cars shall be as follows, namely:

For full railway post-office car service, forty dollars per mile per annum for the operating mileage run of a line of such cars each trip, a line of cars to consist of a sufficient number of cars to perform a round trip of service over an authorized run.

For thirty-foot and fifteen-foot railway post-office apartment car service the rate of pay shall be, respectively, one-half and one-fourth the rate herein provided for full railway post-office cars.

SEC. 5. The rates fixed by this act shall cover the transportation of persons who are discharging official duties in connection with the Railway Mail Service. Such persons shall include clerks handling mail in cars, clerks traveling from their homes to the beginning of a mail run to which they have been assigned or to their homes from such mail run, and all other persons while discharging official duties as inspectors or supervisors of the Railway Mail Service.

The rates provided for herein shall further cover expenses of delivering within and receiving mails at car doors, and the switching, lighting, heating, and the furnishing of suitable drinking water and cleaning of mail cars. Railroad companies carrying the mails shall furnish reasonable facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, and place them in stations before the departure of trains at and for such reasonable time as the department may require. They shall also provide reasonable station space and rooms for the storage and transfer of mails in transit, when required by the Postmaster General.

SEC. 6. That standard specifications shall be prepared by the Postmaster General for the fittings of full railway post-office cars, thirty-foot apartment cars, and fifteen-foot apartment cars, and the rates named herein shall apply only to cars fitted in accordance with such standards: *Provided*, That the railroads shall be allowed such reasonable time as may be necessary to bring mail apartment cars now in service up to such standard specifications: *Provided further*, That whenever a railroad company is unable to furnish standard cars or apartments of the length requested, the Postmaster General may accept cars of lesser length if sufficient for the needs of the service, and pay only for the actual space furnished, the compensation to be a pro rata of that provided for by this act for the standard lengths requested: *And provided further*, That the Postmaster General may accept cars and apartments of greater length than those of the standard requested, but no compensation shall be allowed for such excess lengths. Full railway post-office cars and mail apartment cars shall be constructed and operated in accordance with the regulations of the Interstate Commerce Commission.

SEC. 7. That payment for side terminal and transfer service shall not be covered by the rates named herein.

The Postmaster General is authorized to provide, in his discretion, by regulation screen or other wagon, automobile, or mail-messenger service under existing law, or to contract with the railroad company,

or with other persons for the performance of such service at the lowest rates obtainable.

SEC. 8. That fines for operating delinquencies and deductions for failures to perform service, except as provided in section 9 of this act, shall not exceed the money value of the service improperly performed or omitted.

Railroad companies carrying the mails shall submit under oath, when and in such form as may be required by the Postmaster General, evidence as to the performance of service.

SEC. 9. That it shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation specified in this act, when required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding five thousand dollars. Each day of refusal shall constitute a separate offense.

SEC. 10. That all laws or parts of laws in conflict with the provisions of this act are hereby repealed.

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