

## FAST FREIGHT LINES.

BY G. G. HUEBNER, PH.D.<sup>1</sup>

## THROUGH SERVICE PRIOR TO THEIR ORGANIZATION.

One of the most urgent problems of the early railway companies and shippers was the rapid handling of through traffic. There was, in fact, no "through traffic" as it is known at present. The railway net work consisted of a large number of small independent carriers, each of which confined itself to the handling of freight from one point to another on its own line. On shipping freight to distant points each link in the route of independent lines became a separate receiving company. They took receipts<sup>2</sup> from each other on delivery to each other. Bills of lading were as a rule issued only to the end of the individual railways. In a few exceptional cases through bills were issued but they were so "hedged in and surrounded by limitations as to the liability of each railway" that in the event of loss, damage or overcharge the shipper was obliged to seek redress from the particular line on which the offense was committed. Cars, moreover, both because of the danger of not having them returned and because of the difference in track gage were not interchanged, and cargoes were transferred from car to car at the end of each separate line.


The difficulty and delay involved in the handling of through freight soon resulted in the organization of numerous "forwarding firms." Such, for instance, were the early firms of Leech & Company, Clark & Company, Borbridge & Company and many others. These firms had agencies at the points where freight was transferred from car to car and at the principal cities. They made special arrangements with railways, canals, steamboat companies and wagon lines so as to get continuous routes between distant points. They contracted for through rates and frequently, as distinct from the railways, issued through bills of lading. They saw that their customers' freight was taken from consignor to consignee over the myriad of transportation lines, and the shipper paid them a stipulated price for the service. Some of them were commission merchants as well as forwarders, receiving produce, forwarding it to markets and selling it on commission.

The service rendered by these firms was usually efficient and they did much to facilitate through shipments. But it soon appeared that in spite of anything they might do to facilitate business arrangements there could be no solution of the through freight problem unless cars were carried from consignor to consignee without breaking bulk at the end of each receiving railway. Not only did the carriers refuse to have their equipment pass beyond their lines, but the difference in gage made it impossible for the prevailing type of car to do so.


## RISE AND ORGANIZATION OF PRIVATE FAST FREIGHT LINES.


To diminish the delay and damage resulting from transshipment of goods through routing became a public necessity. As a result separate and independent car companies known as *fast freight lines* were organized to handle through traffic. These companies made contracts with the carriers so as to obtain a continuous line between distant points, and they had their own cars. Many of their cars were equipped with adjustable trucks or wide flange wheels so as to be suited to different gages.<sup>3</sup> The first private fast freight line was Kasan's<sup>4</sup> Despatch, organized in 1855 or 1856; the Great Western Despatch was organized in 1857; the Western Insurance & Transportation Co. (Star Union Line) was incorporated in 1856 and organized in 1863; and many others followed.

The organization and working of the Star Union Line may

be regarded as typical. In 1856 it was incorporated as the Western Insurance & Transportation Company, and in 1863 was organized as the Union Insurance & Transportation Company. The well-known  "Union Line" was adopted as its name. It purchased 55 cars from the little Miami Railroad and handled its first freight in February, 1864. Not only did it provide a through route between the east and middle west, but it insured the time of goods in transit. An additional 25 cents per 100 lbs. on dry goods, for instance, was charged between Chicago and New York to insure five days' transit. Difficulties arising from this practice and from the claim that the insurance covered also the safety of the freight resulted in the abolition of the insurance feature in 1865, and a change in the company's name to "Union Railroad & Transportation Company."

Aside from the ownership of cars, the nature of the line is seen in its varied activities. It established car floats between Jersey City and New York in 1866; it had its corps of freight solicitors at appropriate points to induce shippers to ship their freight in Union Line cars and to take charge of the shipments, and it carried mail for the federal government. Gradually, however, the Pennsylvania Railroad Company acquired control of the roads over which the Star Union Line operated and the Pennsylvania Company was organized to manage the western lines. As a result there was no longer any need for a private fast freight line to handle through business, and the Pennsylvania Railroad served notice that the contracts would be terminated. Thereupon the Star Union Line offered to sell all its properties, good will and rights to the Pennsylvania Company. The transfer was made in 1873 for 60,000 shares of common stock of the Pennsylvania Company and the Star Union Line as a distinct freight company ceased to exist, although the line has been perpetuated and continues its functions as the recognized through freight line of the Pennsylvania Railroad system between the east and the west.

The Empire Transportation Company known as the  Empire Line, is another typical fast freight line which in its early stages was a private company. This company was particularly interesting as regards its varied activities. It was organized in 1865 primarily to develop the traffic over the Philadelphia & Erie Railroad. It, however, made contracts with other carriers and soon obtained a through route from New York to Chicago.<sup>5</sup> To handle the oil traffic in and around Oil City it organized the "Green Line" to operate its tank cars. It also acquired various oil pipe lines soon after that method of transportation proved feasible. In 1866 it purchased a controlling interest in the Titusville Pipe Company, in 1872 purchased the entire property of the Mutual Pipe Line Company and of the Union Pipe Company, in 1873 it constructed the Butler Pipe Line, and in 1875 the Olean Pipe Line. At the time the Empire Transportation Company was purchased by the Pennsylvania Railroad it operated over 400 miles of pipe.

The Empire Line moreover constructed extensive terminal facilities to handle its traffic; it operated river floats at New York and a number of grain elevators at its seaboard terminals. To extend its service on the Great Lakes it organized the Erie & Western Transportation Company, commonly spoken of as the  "Anchor Line," and thus operated a fleet of freight and passenger steamers. As in the case of the Union Line, however, its work as an independent company was made unnecessary by the consolidation of railways and in 1877 it was purchased by the Pennsylvania Railroad.

The arrangements of the private fast freight lines with the railways were various and peculiar. The Union Line, for example, had a contract with the Pennsylvania Railroad pro-

<sup>1</sup>Instructor in Transportation and Commerce, Wharton School of Finance and Commerce, University of Pennsylvania.

<sup>2</sup>Hepburn Committee Investigation of N. Y. (1879), Vol. III., 2960.

<sup>3</sup>Ibid III, 2960.

<sup>4</sup>Report of Joint Special Committee to Investigate the Vermont Central R. R. management, p. 46.

<sup>5</sup>Hepburn Committee Report (1879) III, 2960; Weld, p. 76.

<sup>1</sup>"Theory and Practice of the American System of Through Fast Freight Transportation as Illustrated in the Operation of the Empire Transportation Co. (Philadelphia, 1876).

<sup>2</sup>N. B. Wilson, "History of Pennsylvania R. R. Co.," Vol. II. 66-68.

viding for a fixed sum per car. The freight rates were collected by the Union Line, while the railway regardless of lading received \$72 per car between December 1 and May 1 for hauling them to Philadelphia and Baltimore. During the remainder of the year these payments were \$56 and \$45 respectively. Likewise from New York to Pittsburgh between December 1 and May 1 the Union Line paid \$110 per car and from Philadelphia and Baltimore \$85, while during the remainder of the year the payments to Pittsburgh were \$100 and \$75 respectively. West of Pittsburgh there was a different arrangement. Here a percentage arrangement prevailed, fixing the payments for certain weights on the basis of a total weight of 16,000 lbs. The freight line received the difference between the payments it made to the railways and the freight charges it collected, but also received mileage from the railways at the rate of 2 cents per mile.

Omitting exceptional contracts, the financial arrangements between the private freight lines and railways passed through two stages. In the first the prevailing method was that a fixed sum per car hauled was paid by the freight line to the carrier, while the freight line received the freight charges from the shipper and a mileage charge from the carrier. In the second stage the freight line made no payment to the railway but was paid in various ways for the use of its cars and the solicitation of business. The principal method of payment was a percentage of the freight rate and the lines came to be known as "commission lines." On westward traffic the commissions ranged from 15 per cent. on the first three classes of freight, 10 per cent. on the fourth class and 8 per cent. on specials, down to 10 per cent. on the first three classes and 5 per cent. on the fourth class and specials. On eastbound traffic they usually were 12 per cent. on the first three classes, 10 per cent. on the fourth class and 8 per cent. on specials. Other roads settled on a mileage basis. The Vermont Central, for example, and all other lines over which the "National Despatch" operated, except the Michigan Central<sup>1</sup> paid to this line a mileage of first three and then two and one-half cents per car-mile.<sup>2</sup> Still others paid the freight lines a fixed per diem allowance. The United States Rolling Stock Company, for instance, received 75 cents per day for 300 days per year and repairs were made by the carriers.

While many of these early private freight lines fulfilled a much needed service complaint arose that in some instances they unduly diverted profits from the stockholders of the railways. The bitterest opposition appeared in the case of those freight lines whose stockholders consisted largely of railway officials. In the case of the National Car Company or "National Despatch" and the Vermont Iron & Car Company, for example, it was admitted<sup>3</sup> that their stocks were largely held by officials of the Vermont Central, Vermont & Canada, Grand Trunk, Boston & Lowell and other railways. At times the cars of these freight lines were given preference over those of the Vermont Central. Their cars were built in the car works of the Vermont Central, some of them but little more than the cost of construction. The National Car Company<sup>4</sup> paid first 10 per cent. and then 12 per cent. dividends on the par value of its stock and the Vermont Iron & Car Company paid 10 per cent., while the Vermont Central Railroad was in the hands of a receiver.

Partly because of such abuses, but more generally because the consolidation of the railways into extensive systems made an independent freight line unnecessary, the movement on the part of the railways to purchase them gained ground so rapidly that by 1875 they had almost entirely disappeared.<sup>5</sup>

## PRESENT DAY FREIGHT LINES.

The rapid disappearance of the private fast freight companies was the signal for new forms of freight lines. There are at present two general types, first the co-operative and second the company fast freight line. The co-operative lines made their appearance even before the private lines had largely disappeared. Such, for instance, were the early lines known as the "Purple Line," "Orange Line," "Planet Line," Blue, Red or White lines. The usual arrangement was and still is for each road interested to contribute a portion of the equipment, and the total earnings are pro-rated between the members just as in the case of interline freight shipped without the medium of co-operation freight lines. A board of managers consisting of an official from each railway interested selects a general manager and his assistants. Agents are then located at the leading terminals to solicit business, and all they succeed in getting is consigned over the particular route represented by the co-operative line. The only cost to the participating carriers is the actual expense involved; the entire profit goes to them just as though no freight line had been organized. Co-operative freight lines, in fact, have no earnings separate from those of the carriers interested. A contract<sup>6</sup> with such a line means a contract with the parent railways. Co-operative lines are merely through routes so organized as to consign interline traffic over the railways interested. Typical examples of the present time are the White Line, Traders' Despatch, Lackawanna-Grand Trunk, Lehigh and Wabash Despatch and various others.

With the further consolidation of the railways even the co-operative lines have lost ground. But instead of wholly abandoning the fast freight line, *company freight lines* have in many instances been organized. There are in general two subtypes of company freight lines, those which really consist of little more than departments or bureaus of a railway, and those which are companies owned by the carrier but with separate identity. In a sense many of these freight lines are also co-operative, but they differ from the purely co-operative lines in that wherever more than one railway is interested the railways are affiliated so as to really constitute a single large system.

Of the former type of company freight lines numerous illustrations may be cited, and their organization is not always identical. The Star Union Line, for instance, is still co-operative in the sense that the Pennsylvania lines east and west of Pittsburgh are interested. But when in 1873 it was purchased by the Pennsylvania Company it lost its separate identity and became a sort of bureau or agency with few expenses and no earnings of its own. Its fluctuations are few as compared with what they were when it was a private line. It is an accounting<sup>7</sup> bureau for through freight; its auditor audits the accounts of through freights for the Pennsylvania Lines. He is practically the manager of a clearing house supervised by a board of control which consists of himself and the comptrollers of the Pennsylvania lines east and west of Pittsburgh. In addition to this the concern has, however, not entirely lost its functions as a freight line. It has agents located at different points to solicit traffic. Such agents are directed by the manager and superintendents of the Union Line, but are in reality employees of the Pennsylvania system. The soliciting is done through the Union Line, for to the shipper that represents a definite through route. It acts as a trade mark, the use of which tells the shipper exactly how his goods will be routed. A certain good will, likewise, is attached to it as to any well established trade mark.

The Pacific Fruit Express Company is another company freight line of this general type but is organized in a somewhat different manner. It is a corporation and was formed in 1906 by the Harriman Lines for the definite purpose of

<sup>1</sup>Windom Committee report (1874), II, 361-2; Hepburn Committee Report (1878), III, 2961-2.

<sup>2</sup>Michigan Central paid two cents.

<sup>3</sup>Special Investigation of Vermont Central, etc., p. 46.

<sup>4</sup>Special Investigation of Vermont Central, etc., pp. 7, 76, 93, 117, 126, 128, etc.

<sup>5</sup>Ibid., p. 89.

<sup>6</sup>Ibid., p. 119.

<sup>7</sup>Weld, p. 77; Ringwalt, Development of Transportation Systems in the United States, p. 192.

<sup>1</sup>Windom Committee Report, II, p. 128.

<sup>2</sup>A. C. Wright, General Freight Agent, "Freight Solicitation." Y. M. C. A. Transportation Lectures, 1905-6; etc.

handling the fruit business. It is spoken of as a refrigerator line but is in reality but a separate department<sup>1</sup> of the Union Pacific. The 6,600 refrigerator cars which the Harriman Lines ordered in 1906 were turned over to this department instead of to the traffic department. The reasons for the formation of a separate company were that the traffic department, it was thought, could not devote sufficient time to the necessary special service and study required in the movement of fruit, and that an extra corps of men is needed to ice the cars, locate the icing stations and generally supervise the refrigerator service.

The Merchants' Despatch Transportation Company (M. D. T.) may be cited as an example of the second form of company freight line. It is a separate company but its stock is owned by the New York<sup>2</sup> Central Lines. It owns about 6,000 cars, has agents<sup>3</sup> located at numerous large cities to solicit freight and sees to the icing of refrigerator cars billed under its care. Very similar to this is the American Refrigerator Transit Company (A. R. T.), which is a separate corporation but is subsidiary to the Wabash, St. Louis, Iron Mountain & Southern and the Missouri<sup>4</sup> Pacific railways. It owns 4,500 cars and operates them on these roads, solicits freight and ices its refrigerators. The Santa Fe<sup>5</sup> Refrigerator Despatch is also a company freight line, but is so closely subsidiary to the Atchison, Topeka & Santa Fe that it is sometimes regarded merely as a department of the railway. Instead of owning its equipment it leases about 6,000 refrigerator cars from the Atchison, paying 5 per cent. of their value annually for their use. Its earnings come from the refrigeration charges and the mileage which it receives from the foreign railways over which the cars are consigned.

It appears, therefore, that there are two general types of fast freight lines at the present time and numerous variations. They range everywhere from those which merely signify a through route to those which own equipment and operate as subsidiary corporations. It naturally follows that the financial arrangements between the freight lines and the railways are even more variable than the types of freight lines.

In the case of the co-operative lines it is chiefly a matter of pro-rating the earnings. The number of cars which each railway furnishes is first arranged, and then the members agree upon the portion of the through rate which each receives. The earnings never reach the freight line but are collected by the receiving or delivering railway and are pro-rated in the usual way. Whatever expenses are incurred by the freight line are likewise pro-rated between the interested carriers. The arrangement in the case of company lines which are merely bureaus or departments is similar, as they are frequently but co-operative arrangements between the affiliated roads of a great system.

The usual arrangement in the case of company freight lines which own cars is in the form of a contract with the controlling railways. Compensation is usually made in the form of mileage and the payment of a commission<sup>6</sup> on the freight rate. This type of organization is, in fact, sometimes still called a "Commission Line." The contract of the Santa Fe Refrigerator Despatch is peculiar in that the freight line receives neither mileage nor commission from the parent road. It pays to the railway 5 per cent. of the value of the cars which it has leased and pays<sup>7</sup> for all the repairs, expenses of operation and other expenses out of the earnings from the icing service and the mileage paid by foreign roads.

The financial arrangements with foreign railways over which the freight line cars are consigned are as yet unsettled. All such cars are really railway equipment and yet the code of

per diem rules is not in every case applied to them. The Santa Fe Refrigerator Despatch, Merchants Despatch and American Refrigerator Transit Company collect mileage from foreign roads in the same way that private car companies do. The A. R. T., moreover,<sup>1</sup> in some instances receives commissions of 12½ or 10 per cent. of the freight rate from foreign carriers. Some of the eastern roads such as the Pennsylvania,<sup>2</sup> Erie and Baltimore & Ohio, have applied an optional rule. They have given their connecting lines the choice of paying either per diem or mileage on the refrigerator cars according as in each instance they find the one or the other cheaper.

In conclusion it may be noted that the term "fast freight line" is in most cases misleading. Some of the lines are refrigerator companies and in reality handle fast freight, but fast freight lines should be distinguished from the fast freight arrangements which the railways are making to handle high class and perishable goods. They usually constitute through routes and received their popular name in the early sixties, when the lack of through routes was the greatest hindrance to rapid transportation. Their functions as freight solicitors, trade marks, accounting bureaus, and in some cases as car owners and refrigeration agencies are likewise foreign to any idea of "fast freight." A fast freight line may handle grain, hay, lumber or any other freight that habitually is not carried on fast trains or schedule time.

It is in the region tributary to the Atlantic coast ports that the fast freight lines are most numerous. In 1905<sup>3</sup> as many as 84 furnished through routes from the west and south to these ports. Their number is due chiefly to the fact that through shipments to these ports from the west or south must usually pass over several different carriers. The Atlantic ports, moreover, lead in the export business, and many of the fast freight lines act as special agencies to furnish through routes to foreign<sup>4</sup> destinations. Relatively few freight lines terminate at either the Gulf or Pacific coast ports. While movements here frequently involve more than one carrier they have not been sufficiently complicated to result in a host of fast freight lines. It is significant that when the Atchison and Harriman Lines took over the fruit refrigeration service, they immediately organized freight lines similar to some of those found in eastern territory.

#### FOREIGN RAILWAY NOTES.

Very little coal is used on locomotives in Peru, oil, of which there is abundance, being found cheaper and better.

On the Finnish railways—all save a few short roads are state controlled—the brakemen get 60 marks per month and the engineers 200 marks. (A mark equals 19 cents.)

In Peru there are 2,242 km. of railway in actual operation, 747.6 in construction and 3,010 projected. Of the road in operation 1,544 kms. are state-owned road leased for 56 years to the Peruvian corporation.

Work was vigorously pushed on the Yalu river bridge of the Antung-Mukden line last summer, seven of the 18 piers being almost completed. The bridge is to accommodate a railway track, a footpath and a driveway. It will require more than another full year to complete it at a cost of \$1,500,000 gold, but the plan is to have the bridge built by the time the longest tunnel of the railway is completed. The road will probably be open for traffic by January 1, 1911.

<sup>1</sup>H. C. C. hearings (1904), p. 104.

<sup>2</sup>Weld, p. 89.

<sup>3</sup>Weld, p. 29.

<sup>4</sup>H. C. C. hearings, (1904), p. 137.

<sup>5</sup>Ibid, p. 139.

<sup>6</sup>Ibid, p. 143; Weld, p. 30; Elkins Committee hearings, III, 2278.

<sup>7</sup>H. C. C. hearings (1904), p. 145; Weld, p. 148.

<sup>8</sup>H. C. C. hearings (1904), p. 144, etc.

<sup>9</sup>Weld, p. 148; H. C. C. hearings (1904), p. 145.

<sup>10</sup>List of Through Fast Freight Lines operating from Eastern Port Cities to Western and Southern States with names of railways and steamships over which such lines operate.—Penn. Railroad (F. D. No. 174, Record File 775).

<sup>11</sup>See "Methods and Routes for Exporting Farms Products." U. S. Department of Agriculture, Bureau of Statistics, Bulletin No. 29 (1904) for list of fast freight lines handling merchandise for foreign delivery.