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HISTORY OF AIR FREIGHT TARIFFS

By HAROLD W. TORGERSON

Associate Professor of Transportation, Northwestern University (Evanston, Ill.); Associate Editor, JOURNAL OF AIR LAW AND COMMERCE. University of Minnesota, B.B.A., 1930; Northwestern University, Ph.D., 1939. Formerly, Assistant to Officer in Charge, Transportation Division, Bureau of Supplies and Accounts, Navy Department.

Introduction

In a recent order the CAB suspended certain provisions of the air freight tariffs filed by seven certificated carriers and instituted an investigation to determine the lawfulness of the proposed rates and charges. The purpose of this article is to present the chronological development of air freight rates and rules prior to this action.

American Airlines Pioneers

Prior to 1942 a number of certificated carriers and other interests made studies of potential air freight traffic with a view toward providing such a service. On March 14, 1941, American, Eastern, TWA, and United executed a formal agreement providing for the formation of Air Cargo, Inc. The new organization began an extensive program of research into various phases of cargo transportation. By the end of 1942 all other certificated domestic air carriers except All American Aviation, Inc. had joined in sponsoring Air Cargo, Inc. Although the plans of most carriers to inaugurate a freight service were postponed during World War II, American Airlines pioneered in providing extensive service beginning October 15, 1944.

The tariffs filed by American established a system of class and specific commodity rates. These tariffs were particularly important because they set a pattern which was adopted in considerable part by TWA, Braniff, and Continental, which also inaugurated a freight service prior to February 1, 1946. For purposes of class rates American classified general commodities into four groups, A, B, C, and D, differing from air express which used a single classification basis except for occasional lower specific commodity rates, and higher rates on

1 Docket Nos. 3170, 3178, (Order E-916, Oct. 24, 1947). The suspension was for 90 days. By order E-1135, dated Jan. 21, 1948 the suspension was extended to April 21, 1948.
2 For the names of certain such companies see Frederick and Lewis, History of Air Express, 12 JOURNAL OF AIR LAW AND COMMERCE, 229-31 (1941).
3 American’s tariffs were Air Freight Classification No. 1, CAB No. AF 1, and Air Freight Tariff No. 1, CAB No. AF 2, both effective Oct. 15, 1944. Eastern filed several tariffs effective in 1945 covering transport of magazines and newspapers between specified points but its first general air cargo rate tariff did not become effective until Nov. 1, 1946. All tariffs filed with the Board must conform to CAB Economic Regulations, Part 224.
valuable shipments. Fourteen mileage blocks were established. The first included points served within a distance of 550 miles from point of origin. Then followed 2 blocks of 100 miles each, 3 blocks of 150 miles each, and 8 blocks of 200 miles each. Distances between cities were measured generally on a great circle basis. The first block included a terminal and delivery charge plus a distance charge. The rates in this tariff, contrary to railroad class rates but similar to air express rates, were constant in relation to distance. The distance charges for the four classes, A, B, C, and D were approximately 50 cents, 43 cents, 36.5 cents and 30 cents per ton-mile respectively. In calculating rates the maximum mileage in each block was used. A 25 pound shipment was the minimum on which rates were quoted. The rates on this weight of class A freight for the first and last mileage blocks, were about 28 percent and 27 percent, respectively, of the 100 pound rates. In two cases, dry goods and cut flowers, the rating varied with the weight offered for shipment. Except for these two items, the 100 pound rates applied on all larger shipments. In other words, rates did not generally decline with increases in weight.

In this first tariff American published specific commodity rates on shipments of specified minimum weight of agricultural commodities and newspapers. The class rates included pickup and delivery (or specified an allowance where this was provided by the shipper) while this service was not included under the specific commodity rates. Ratings were subject to released valuations of $2.00 per pound for Class A commodities, $1.65 per pound for Class B, $1.35 per pound for Class C, and $1.00 per pound for Class D and specific commodity rates. Higher valuations could be declared and the tariff specified an additional charge of 10 cents for each $100 or fraction thereof in excess of applicable released values. Rates were based on the assumption that the cubic measurements would not exceed 400 cubic inches per pound, and where this was exceeded the charge was to be assessed on the basis of 1 pound for each 400 cubic inches. American Airlines made no guarantee as to delivery time. The carrier was authorized by contract to determine the priority of carriage as between air freight shipments, and between air freight shipments and any other cargo and passengers.

In its tariff effective July 1, 1945 TWA followed closely the pattern established by American, with one significant difference. While American's tariff rates included pickup and delivery service, TWA's rates were on an airport to airport basis, with pickup and delivery charges quoted in a separate section of the tariff. This practice has now become general. While there was a difference in the basis, the combination of TWA's airport to airport rates plus pickup and deliv-

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4 Under §§8 and 17 of the agreement in effect between the Railway Express Agency, Inc., and each of the various certificated air lines, the rates on air express shipments are set by the individual air line or by a traffic committee composed of one representative from each cooperating air line.

5 TWA's tariff was Air Freight Tariff No. 1, CAB No. AF-1.
ery service was comparable to American’s door to door rates. Under TWA’s tariff, pickup service was provided only on request, but delivery service (at an additional charge) was provided unless contrary instructions were given.

The Braniff Mileage Block System

Braniff’s tariff was quite similar to that of American. The major difference was the introduction of a new mileage block system which nearly all of the certificated carriers adopted in following months. Rate scale 2 (the first block) included all points served within a distance of 200 miles from point of origin, followed by succeeding blocks of 100 miles each. Rate scale 3 thus included points served within a distance of 201 to 300 miles, and rate scale 11, the final block, included points served located from 1001 to 1100 miles distant. Distances between points were measured on a great circle basis. The rate levels for the early blocks were slightly lower than American’s rates, being 44 cents, 40 cents, 35 cents, and 31 cents per ton-mile, respectively, for the four classes of commodities. A feature which was unusual for an air freight class rate tariff was that the ton-mile rates decreased slightly as distance increased. For the last blocks the ton-mile rates were 40 cents, 36 cents, 32 cents, and 28 cents, respectively, for the four classes.

TWA Modifications

TWA, in a new tariff effective January 1, 1946, adopted the mileage block system introduced by Braniff. A comparison of the rates named by the two carriers indicates that TWA’s were lower, but the latter’s rates applied from airport to airport. The Class 4 rates may be used to illustrate TWA’s method of computation. The rate on a 100 pound shipment under rate scale 1 (up to 200 miles) was $3.15. This comprised a transportation charge of $2.65 plus a terminal charge of 50 cents. The transportation charge was on a 26.5 cents per ton-mile basis, and this basis was constant with increases in distance. Class 1, 2, and 3 rates also included the 50 cent terminal charge, with the transportation charges being 38.5 cents, 34.5 cents, and 30.5 cents per ton-mile, respectively. Another change introduced by this tariff was a 20 percent reduction in rates on volume shipments of 3000 pounds or more.

New Pattern Set by United

United’s first air freight tariff, effective February 1, 1946, exerted a major influence on the development of the air cargo business.

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7 TWA Air Freight Tariff No. 2, CAB No. 2.
8 One exception was made to the uniform 26.5¢ per ton-mile rate. Rate scale 7, applying to shipments between New York and Chicago, increased at the rate of only 18.4¢ per ton-mile over rate scale 6. This was offset by an increase in rate scale 8 over rate scale 7 at the rate of 34.6¢ per ton-mile. This variation was also found in United’s tariff, effective Feb. 1, 1946.
9 TWA used Classes 1, 2, 3 and 4 instead of A, B, C and D used by American.
10 Air Freight Tariff No. 1, CAB No. AF-1.
first feature of this tariff was that all items acceptable for transporta-
tion comprised a single general commodity class to which the rates
named were applicable.\textsuperscript{11} The elimination of various classes of com-
modities was a considerable simplification as compared to previous air
freight tariffs. In its rate schedule, United adopted the mileage block
system used by Braniff and TWA, and also the 26.5 cents per ton-mile
rate basis initiated by the latter carrier a month earlier on class 4 traf-
cic. Like TWA, rates were published on an airport to airport basis,
with separate charges specified for pickup and delivery service. A
minor difference was that neither pickup nor delivery service was pro-
vided except on request.

As in other tariffs, the minimum weight on which rates were named
was 25 pounds. The rates for this weight for rate scales 1 and 25 were
about 37 percent and 26 percent respectively, of the 100 pound rates.
An important departure from previous tariffs was that on shipments
weighing over 499 pounds, the rate per 100 pounds decreased as fol-

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
Weight group & Rate-basis & Percentage of \\
- lbs. & per ton-mile & 100 lb. rate \\
\hline
100 — 499 & 26.5\# & \\
500 — 999 & 25.6 & 96.6\% \\
1000 — 1999 & 24.7 & 93.2 \\
2000 — 2999 & 23.0 & 86.8 \\
3000 and over & 21.2 & 80.0 \\
\hline
\end{tabular}
\caption{Graduated Rates Quoted by United Air Lines, Inc.,
Effective Feb. 1, 1946}
\end{table}

These graduated rates obviously were designed to stimulate volume
shipments. They had the effect, also, of making the air freight for-
warder business attractive, and a considerable number of companies
entered this field in the months that followed.

United introduced another change from previous tariffs which was
adopted generally by other carriers. This was the use of the same basis
of released valuations as Railway Express Agency, Inc., provided for
both its air express and rail express operations. Shipments were ac-
cepted subject to a released valuation of not to exceed $50 for any
shipment of 100 pounds or less, or 50 cents per pound for any ship-
ment in excess of 100 pounds. If a shipper declared a value in excess
of these amounts, an additional charge of 10 cents was assessed for each
$100 or fraction above the released value. As in tariffs of other car-
rriers, a density basis of one pound for each 400 cubic inches was speci-
fied.

\textsuperscript{11} In Air Freight Tariff No. 2, CAB No. AF-3, also effective Feb. 1, 1946,
specific commodity rates were quoted on fresh fruits and vegetables. The
minimum weight was 5000 pounds per shipment.
Other Carriers Adjust to United's Tariff

Other carriers soon made adjustments to meet the terms offered by United. American revised its tariffs effective April 26, 1946, and included such major features of its competitor's tariff as the single general commodity class, 26.5 cents per ton-mile basic airport to airport rate, $50 or 50 cents per pound released valuations, and graduated rates for volume shipments up to and including 3000 pounds. American followed TWA, however, in providing delivery service (at an additional specified charge) unless contrary instructions were given to the company.

TWA filed a supplement effective April 7, 1946, reducing the classification of a number of items to Class 4. TWA also filed new tariffs effective June 21, 1946, which were comparable to those of United and American. In these new tariffs Braniff, Continental, Inland and Western also participated. Eastern's initial general commodity tariffs, effective June 15, 1946, and November 1, 1946, were also comparable.

Innovations of PCA

In its tariffs effective July 15, 1946, Pennsylvania-Central Airlines departed from the established pattern in several respects. Instead of using the customary initial block of 200 miles and succeeding blocks of 100 miles each, it introduced an initial block of 150 miles and succeeding blocks of 50 miles each. PCA's first block, then, included cities served within 150 miles from point of origin, the second covered 151-200 miles, the third covered 201-250 miles, and the fourth covered 251-300 miles. The same distance was divided by competitors into an initial block of 200 miles, and a second of 201-300 miles. In calculating rates, the maximum mileage in each block was used. PCA adopted the 26.5 cents per ton-mile basic rate of its competitors. PCA's 100 pound rates for the second and fourth blocks were the same as for the first and second blocks of other certificated carriers. But distances of 140 miles and 240 miles, for example, would fall into PCA's first and third blocks which named lower rates than competitor's first and second blocks. The lower rates offered by PCA in the first 50 of each 100 miles (above 100) were important because the distances between such strategic cities as Chicago-Detroit, Chicago-New York, and Pittsburgh-New York were 238 miles, 713 miles, and 317 miles, respectively. Between these points, then, PCA had a rate advantage over any carrier which

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12 Air Freight Rules Tariff No. 2, CAB No. 9, and Air Freight Tariff No. 1-A, CAB No. 10.
13 Supplement No. 1 to Air Freight Tariff No. 2, CAB No. 2.
15 Air Freight Rules and Regulations Tariff No. 1, CAB No. 4, and Air Cargo Tariff No. 4, CAB No. 8.
16 Airfreight Rules Tariff No. 1, CAB No. 1, Airfreight Tariff No. 2, CAB No. 2, and Airfreight Tariff No. 3 (Terminal Area Directory) CAB No. 3.
retained the same basic rate and a 100 mile block system. PCA made another business-getting bid by increasing slightly over competitors the reductions offered on quantity shipments weighing between 500 and 3000 pounds. The result was that with minor exceptions all of PCA's rates on quantity shipments were lower than competitors. Eastern, National, Delta, and Northeast also adopted the 50 mile block pattern on a system-wide basis prior to the consolidated tariff effective August 1, 1947. To compete with PCA, TWA adopted it effective September 18, 1946, on part of its system.\(^{18}\)

**Non-Certificated Carriers Develop**

While the major air lines were launching their air freight services, a large number of new non-certificated carriers were organized and began to compete.\(^{19}\) As of October 28, 1946, 94 companies filed volume reports with the CAB on their cargo operations.\(^{20}\) Among the early and more substantial entrants into the field were Air Cargo Transport Corporation (July 1945), The Flying Tiger Line, Inc. (formerly National Skyway Freight Corp.) (July 1945), Slick Airways, Inc. (March 1946), California Eastern Airways, Inc. (May 1946), U.S. Airlines, Inc. (December 1945), and Willis Air Service (December 1945).

Until August 1, 1947, these carriers were not required to file tariffs with the CAB and they were free, therefore, to negotiate terms with individual shippers. A prospectus issued in connection with a sale of securities stated that Air Cargo Transport Corporation was in November, 1945 charging "classified rates ranging from 30 cents per ton-mile for transportation within the United States, subject to contract variations between the shipper and the corporation."\(^{21}\) In February, 1946, this company eliminated classification and announced a schedule of rates which varied with the weight of shipments.\(^{22}\) The ton-mile rates, as advertised, were 22 cents on shipments of 1000 pounds, 21 cents for 4000 pounds, and 20 cents for 5000 pounds. Most of the new companies aimed their sales efforts at relatively large shipments. As the number of companies increased, rates were gradually reduced. The average revenue per ton-mile flown by Slick Airways, Inc., in the months of March, April, May, and June 1946 was 20.1 cents, 16.1 cents, 17.5 cents, and 13.6 cents, respectively.\(^{23}\)

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\(^{18}\) Supplement No. 2 to Airfreight Tariff No. 2-A, CAB No. 7. See also Supplement No. 4, effective May 2, 1947.

\(^{19}\) For a history of the development of such companies and an analysis of their services, see *Industry Report, Domestic Transportation*, Oct.-Nov., 1946, and June-July, 1947 (Issued by the Department of Commerce, Washington).

\(^{20}\) *Ibid.*, Oct.-Nov., 1946, p. 46. For a table showing ton-miles of freight transported by various air carriers in 1946, and dates when companies began service, see pp. 8-9 of *The Development, Operation and Regulation of the Non-Scheduled Air Carrier* (CAA Office of Aviation Information, May 26, 1947).

\(^{21}\) Air Cargo Transport Corporation Prospectus on 200,000 shares of Common Stock, dated Sept. 24, 1946, p. 8.


\(^{23}\) Economic Exhibit of Slick Airways, Inc. submitted to the CAB in Docket No. 810 *et al.* (Air Freight Case) p. SA 254.
Certificated Carriers Make Further Tariff Adjustments

In June 1946, to meet competition from non-certificated carriers, American Airlines established a Contract Air Freight Division which operated independently of the common carrier air freight division. It was reported in the same month that this division had bid as low as 11 cents per ton-mile on a contract involving certain transcontinental shipments.24

In an effort to reduce its rate handicap, United made two changes in its tariffs effective August 17, 1946.25 The first was to add new weight groups, 5000-7499 pounds, 7500-9999 pounds, 10,000-12,499 pounds, 12,500-15,999 pounds, and 16,000 pounds or over, with progressively lower rates. For the last weight group, rates were quoted on a 14 cents per ton-mile basis on long distance shipments. The second change was to introduce a rule that "rates based on weights of 5000 pounds or more shall apply if a volume of freight is consigned from one consignor within one 24 hour period, at one address and moved on one Airbill to one consignee at one destination address."26 The graduated rate structure, declining as volume increased, was attractive to freight forwarders and other volume shippers. This second rule made it less necessary for such shippers to accumulate shipments to secure the volume rates.27 American and PCA took similar tariff action effective September 18, 1946, and February 5, 1947, respectively.

PCA added a provision for "Assembly and Distribution Service" by a supplement to its tariff, effective February 15, 1947.28 This was related to but more liberal than the service initiated by United. PCA offered to assemble, upon request of the consignor, two or more parts of a shipment into a single shipment. All parts of a shipment ordinarily were to be assembled not later than 6:00 P.M. of the day of receipt of the first of such parts. Under this service, for example, a Chicago department store could request assembly of shipments originating from a number of suppliers in New York. These would then be consolidated in New York into a single shipment from the department store as consignor to itself at Chicago, giving the advantage of whatever volume rate would be applicable. Similarly, a shipper, including a forwarder, could request delivery of the parts of a shipment to different parties at destination. The carrier did not perform both assembly and distribution service on the same shipment. It made a service

24 AMERICAN AVIATION, June 15, 1946, p. 24. All air lines are now required to file with the Board tariffs providing rates and charges for charter trips and special services. (See AMERICAN AVIATION DAILY, Oct. 24, 1947, p. 126.)
25 Supplement No. 2 to Air Freight Tariff No. 1, CAB No. AF-1.
26 Ibid., Rule No. 5.1 A.
27 American Airlines, Inc., Supplement No. 2 to Air Freight Tariff No. 1-A, CAB No. 10, and Supplement No. 2 to Air Freight Rules Tariff No. 2, CAB No. 9, Pennsylvania-Central Airlines Corp., Air Freight Rules Tariff No. 1-A, CAB No. 4, and Air Freight Tariff No. 2-A, CAB No. 5. Other carriers did not at this time add the new weight groups starting at 5000 pounds.
28 Supplements No. 1 and 2 to Air Freight Rules Tariff No. 1-A, CAB No. 4, Rules 5.6 and 5.6-A.
charge of 25 cents per part, subject to a minimum charge of $1.00 per shipment. No other carrier followed PCA in offering this service prior to August 1, 1947.

PCA also provided in its tariff for "Shippers All-Risk Insurance."29 This stated that for a fee the risk of loss or damage would be assumed by an insurance company, and appeared to provide a coverage somewhat broader than the obligation necessarily assumed by a common carrier.30 This insurance appears to be primarily an alternative to the provision made by other companies (and also by PCA) that a shipper may declare a value on a shipment in excess of the released value and make payment of an additional "transportation" charge at a rate of 10 cents for each $100 or fraction thereof in excess of the released value. For distances up to 500 miles (rate scale 9), and between 501 to 1000 miles (rate scales 10 to 19) the rates for the all-risk insurance on general cargo were 6 cents and 7 cents per $100 of declared value while for distances in excess of 1000 miles the rate was 15 cents per $100. Depending upon distance, then, the rate for this insurance was slightly lower or higher than for the alternative available.31

**Consolidated Tariff Becomes Effective**

The next major development was the cancellation by certificated air lines of the individually-issued and outstanding general commodity tariffs, and the filing of consolidated tariffs, effective August 1, 1947. In detail, three tariffs were filed: (1) a rules tariff, (2) a pickup and delivery tariff, and (3) a rate tariff.32 These tariffs were issued by Emery F. Johnson, Agent, for and on behalf of all of the certificated trunk lines.33

The consolidated rules tariff contained a number of minor changes from previous carrier rules. Exceptions to particular rules may be made by individual carriers, and this privilege has been liberally exercised. In defining a shipment, six carriers provided that rates based on weights of 16,000 pounds or more would apply if a volume of freight was accepted from one consignor within a 24 hour period at one address and moved on one airbill to one consignee at a single destination address.34 PCA also made the same provision applicable for 5000 pound

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29 Air Freight Rules Tariff No. 1-A, CAB No. 4, Rule 3.2.
30 At least one carrier takes the position that purchase of an insurance policy on freight is the privilege of any shipper, and questions whether such an arrangement properly belongs in a tariff. The same carrier states also that its record on payment of claims indicates that a purchaser of an insurance policy does not receive significantly broader protection. There may well be a difference between liability as a common carrier by air and liability assumed by such a carrier.
31 However, on the insurance policy the fee is based on declared value, while in the case of the alternative "transportation" charge the additional fee is based on the declared value which is in excess of the released value.
32 The exact titles were: Official Airfreight Rules Tariff No. 1, CAB No. 1; Official Airfreight Pick-up and Delivery Tariff No. 1, CAB No. 3; and Official Airfreight Tariff No. 1, CAB No. 2.
33 Three feeder lines, Pioneer, Monarch, and Southwest also participated.
34 The 6 carriers were AA, INL, PCA, TWA, UAL, and WAL. Facts relative to the rules tariff include all changes through correction No. 16, effective Jan. 5, 1948.
shipments. American and National joined PCA in making provision for all-risk insurance. All carriers limited their liability to the familiar $50 or 50 cents per pound basis, with provision for a higher declared value. One addition was that United and Delta inserted a "total damage" provision. Under this rule these carriers would accept responsibility for a greater total liability (than $50 or 50 cents per pound) occasioned by reason of loss, damage or delay, upon request and declaration of consignor at time of acceptance of shipment and payment of the usual additional transportation charge (10¢ per $100 above released value). Under this provision, for example, a company which would sustain a loss of $200 per day for 5 days if a particular replacement part for certain equipment did not arrive within a reasonable time might protect itself against this loss of $1000 plus the value of the replacement part.

All companies provided that charges for shipments with overall measurements exceeding 300 cubic inches per pound would be assessed on the basis of one pound for each 300 cubic inches or fraction thereof. Braniff, C&S, Eastern, and National joined PCA in providing assembly and distribution service. Nearly all of the companies stated that air freight shipments were accepted subject to availability of suitable equipment and space after accommodation of air mail, passengers, and air express.

The consolidated pickup and delivery tariff provided uniformly for all participating carriers that pickup service would be provided only upon request of the consignor, but that delivery service would be provided for all shipments unless contrary instructions had been given by the consignor or consignee. Prior to this tariff most of the companies made arrangements independently for pickup and delivery service. Air Cargo, Inc. was active in making such arrangements for companies jointly at points served by more than one carrier.

35 Some of the companies make provision for a lower released value basis on flowers.
36 Rule 4.2(e).
37 This increase in density requirements by most companies likely was related to the reduction in the rate level.
38 Rule No. 3.11. PCA and United had a slightly different wording. Railway Express Agency, Inc., has stated that air express has occasionally been deferred in order to accommodate air freight. It also stated that it had been advised that one company was establishing a policy of allocating space and weight on scheduled aircraft by allotting two-thirds of the space for air express and one-third for air freight. See Exhibits of Railway Express Agency, Inc., submitted to the CAB in respect to Dockets Nos. 2540, 2557, 681, et al., Vol. IV, §1, p. 10.
39 By an order (Serial E-1086) dated Dec. 31, 1947, the CAB approved an agreement (CAB No. 1041) between 17 certificated carriers providing for establishment of Air Cargo, Inc. This approval was subject to the conditions that the Board be supplied with documents and information relative to the activities of Air Cargo, Inc., as may be requested by the Economic Bureau of the Board, and that any holder of a certificate of public convenience and necessity issued by the Board authorizing transportation of property by aircraft be authorized to participate in Air Cargo, Inc., as a matter of right. Under the last condition, the non-certificated cargo carriers apparently would have a right to participate in Air Cargo, Inc., if they are granted certificates of convenience and necessity by the Board.
In its original form, the consolidated rate tariff was divided into five sections. Section I designated for each of 19 participating carriers the local rate scale numbers applicable to shipments transported by a single air carrier. Section II gave (for all cities served in the U.S.) the joint rate scale numbers with routing references, applicable to shipments moving over the lines of more than one air carrier. Movements between particular points may be covered in both sections. Section III gave airport to airport rates under the various rate scale numbers for different weight shipments. This section applied to all participating carriers. However, two groups of rate scale numbers, 1-60, and 102-114, were given. The latter group applied only to Colonial and will not be hereinafter discussed as the rate structure and rate level were comparable to the PCA tariff effective July 15, 1946. Section IV gave volume rates with reductions at 5000, 7500, 10,000 and 12,500 pounds. These rates were applicable only to shipments via PCA. Section V specified in detail the routings on interline shipments for which routing references were given in Section II.

A major provision of the rate tariff was that the 100 pound rate applied to all shipments from 100 pounds up to and including 15,999 pounds. As in previous tariffs, a reduction was offered at 16,000 pounds. The absence of numerous volume breaks was in sharp contrast to previous tariffs of United and American, which provided for reductions at 500 pounds, 1000 pounds, 2000 pounds, 3000 pounds and at four other volume points prior to a weight of 16,000 pounds. The elimination of such breaks was against the interests of air freight forwarders, and a petition was filed with the CAB requesting that the tariffs be suspended pending an investigation into the lawfulness of the new rates and rules. The Board denied the request for suspension, but ordered an investigation of the new rate tariff.

Another change in the rate structure pertained to the mileage blocks. Block 1 applied to a distance of 100 miles from point of origin, succeeding blocks each covered an additional 50 miles. This system was adopted by all carriers, most of whom had constructed their tariffs previously on a 100 mile block system. Distances between cities were measured generally on a great circle basis, but there were occasional exceptions to this practice.

A decrease in the basic rate level also was made by this tariff. The 100 pound rates were constructed on a 20 cents per ton-mile basis as

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40 An exception was that the 100 pound rate applied to all volume shipments.
41 PCA quoted volume rates, and was an exception to this statement. American Airlines states that it developed its new tariff entirely without consultation with any other carrier representatives. See Memorandum on Behalf of American Airlines, Inc. (pp. 21-22), dated July 24, 1947, submitted to the CAB In the Matter of Air Freight Tariffs, CAB Nos. 1; 2 and 3.
43 However, most carriers adopted a policy of specifying a minimum of rate scale 2, and specified this scale for movements of less than 100 miles. As mentioned previously, Colonial used an initial block of 150 miles and succeeding blocks of 50 miles each. All carriers calculated rates on the maximum mileage in each block.
compared to 26.5 cents per ton-mile which previously applied to the weight bracket, 100-499 pounds. Under the new tariff the 100 pound rate applied on shipments up to 15,999 pounds. Under the old tariffs of American, PCA, and United the basic ton-mile rates declined to 25.6 cents at 500 pounds, 24.7 cents at 1000 pounds, 23 cents at 2000 pounds, 21.2 cents at 3000 pounds, 19.9 cents at 5000 pounds, 18.5 cents at 7500 pounds, 17.2 cents at 10,000 pounds, and 15.9 cents at 12,500 pounds. In both the old and new tariffs, the rates on shipments of 16,000 pounds and over were identical for comparable distances, averaging 14 cents per ton-mile. It follows, then, that the basic ton-mile rate in the new tariff on 100 pound shipments was lower than the ton-mile rates in previous tariffs on all shipments weighing between 100 and 4999 pounds. This comprises the great bulk of air freight shipments. On shipments weighing between 5000 and 7499 pounds the new and old ton-mile rates were practically identical. On shipments weighing between 7500 and 15,999 pounds, the ton-mile rates in the consolidated tariff were higher than those previously in effect for American, PCA and United.

Three factors affected the rates in the consolidated tariff, as compared with prior tariffs, on shipments of less than 100 pounds. First was the lower basic rate level, tending to reduce rates. The second factor was the new mileage block system, tending to reduce rates on certain movements. The third was the adoption of a new method of constructing rates on small shipments, tending to increase these rates. The net result was that except for minimum weight shipments moving short distances, the rates on shipments weighing less than 100 pounds were lower than previously.

Non-Certificated Carriers File Tariffs

A temporary classification of "non-certificated cargo carriers" was established by the CAB on May 5, 1947. This permitted the new air freight companies to operate on a scheduled basis, and as common carriers rather than operating only upon an irregular or non-common carrier basis. Among other requirements, the CAB specified that the new group should file tariffs and reports. Three carriers in this class,

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44 Under the lower rate per ton-mile for 100 pound shipments as provided in the consolidated tariff, the rates between specific points would generally but not necessarily always be lower than under a previous tariff. Three other factors exert an influence on the rates between specific points: (1) the amount of the terminal charge, if any, in the first block, (2) the size of the first block, and (3) the size of succeeding blocks. These factors affect rate comparisons under these tariffs particularly for movements of under 150 miles, and for movements which fall in the first 50 of each 100 miles (above 200). It is believed that the best picture of these rate structures can be given by concentrating on the basic ton-mile rates.

45 See note 27, supra.

45a The formula used to compute the published rates (R) on shipments of less than 100 pounds (x = weight of shipment) was:

\[
R = x \left( \frac{\text{Rate for 100 lbs.} - $1.00}{100} \right) + $1.00
\]

46 §292.5 of CAB Economic Regulations.
Slick Airways, Inc., California Eastern Airways Inc., and The Flying Tiger Line currently transport a high proportion of the total volume of business done by this group. The tariffs of these companies will be analyzed to indicate the competition faced by the certificated carriers.

Under Slick's tariff, effective August 1, 1947, the rules governing shipments were quite comparable to those of the consolidated tariff issued by the certificated lines. The rule on density provided that shipments would be assessed charges at a rate of 6.5 pounds per cubic foot if the aggregate weight was less than this basis. This was a density requirement of 1 pound for each 267 cubic inches as compared to the rule of 1 pound for each 300 cubic inches now in effect for certificated carriers. Pickup and delivery service was provided at charges comparable to competitors.

Slick published general commodity rates, specific commodity rates, and premium commodity rates, all on an airport to airport basis. Service was limited to "principal points" and "demand points" in four areas, the California Area, Texas Area, Middle West Area, and Eastern Area. Eleven "principal points" were named: Los Angeles, San Francisco, Dallas, Houston, San Antonio, Chicago, Detroit, St. Louis, Newark and New York, and Philadelphia. With a few exceptions, rates were quoted from each of these cities to all others in the group on a point to point basis. Approximately 150 "demand points" were listed. These were classified into five zones. Rates from or to any demand point in an area were made by adding to the rates applying between principal points a differential charge which varied with the zone classification and weight of shipment. The minimum weight for one carrier service to or from a demand point was 1000 pounds. Intra-area service to or from demand points was not provided.

Slick's rates varied with volume and five weight groups were established. Column 1 rates applied to shipments in the 25-99 pounds bracket, column 2 to 100-999 pounds, column 3 to 1000-2999 pounds, column 4 to 3000-9999 pounds, and column 5 to shipments of 10,000 pounds and over. For comparative purposes, a study was made of Slick's general commodity rates and the rates in the consolidated tariff on shipments between New York and all other principal points served by Slick. Slick's rates averaged approximately 28 percent lower on shipments of 25 pounds between these points, and about 12 percent lower on 75 pound shipments. On 100 pound, 1000 pound, 3000 pound, and 10,000 pound shipments, Slick's rates were about 29 percent, 32 percent, 36 percent and 39 percent lower. Slick's 100 pound

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48 Airfreight Tariff No. 1, CAB No. 1.
49 Supplement No. 1 to the tariff cited in note 48 reduced the demand points to 15.
50 Slick's rates on 100 pound and heavier shipments from Dallas and San Antonio to New York were cheaper than from New York to the same cities.
rate was approximately the same as the certificated carriers' 16,000 pound rate. Turning to the specific commodity rates named on nine items, columns 2, 3 and 4 rates were 85 percent of general commodity rates. Discounts were not quoted on column 1 or column 5 (over 10,000 pounds) shipments. On nine premium commodities or types of shipments, higher rates applied than on general commodities. Special rates were named on shipments of flowers.

A last and unusual feature of Slick's tariff was that provision was made for a "deferred rate." This was defined as "any freight, other than specific commodities named in this tariff or any subsequent supplements authorized and published, which is accepted by the carrier, subject to shipment at the discretion and at the convenience of the carrier, subject to a delay, will be carried at a rate of 70 percent of the general commodity rate as published. . . . This rule will not apply to column 5 rates."\(^{51}\)

The Flying Tiger Line, Inc., filed a tariff effective August 9, 1947, which was similar to that of Slick.\(^{52}\) The same density rule applied. One difference was that goods forming a part of any shipment exceeding 500 pounds in weight and destined to a single consignee at a principal point were deliverable to two or more addresses in the city providing the shipper furnished the carrier with proper manifests. Each individual delivery of goods forming part of such a shipment was subject to minimum delivery charges.\(^{53}\) This service was similar to that introduced by PCA.

The Flying Tiger Line also published general commodity rates, specific commodity rates, premium commodity rates, and special flower rates. Service was limited to principal and demand points in particular areas. Except for a minimum airport to airport charge of $5.00 per shipment, The Flying Tiger rates on shipments between New York, Detroit, Chicago, Los Angeles, and San Francisco were identical with those of Slick.\(^{54}\) The Flying Tiger Line did not offer the general deferred rate of its competitor but it named a special rate of $9.00 per 100 pounds for eastbound shipments from Burbank to any principal point, subject to dispatch at carrier’s convenience, applying on any quantity of three items.\(^{55}\) This rate represented a significant reduction from the general commodity rates of $12.00 for a 100 pound shipment from Burbank to Chicago, or $16.60 from Burbank to New York.

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\(^{51}\) Rule No. 3.6 of tariff cited in note 48 supra. No information is available on the frequency of use of this deferred rate. Under this provision a 30 per cent discount from general commodity rates obviously is granted on shipments accepted on a deferred basis.

\(^{52}\) Airfreight Tariff No. 1, CAB No. 1.

\(^{53}\) Rule 4.6 (k).

\(^{54}\) There was also a difference of 5 cents between Slick and The Flying Tiger Line on shipments of less than 100 pounds between Detroit and Philadelphia or New York.

\(^{55}\) The 3 items were airplane parts except engines, coin operated amusement and vending machines, and phonograph records.
The rules of California Eastern Airways, Inc., effective August 5, 1947, were similar to those of other non-certificated air cargo carriers. The only major difference was the provision for "split pickup shipments." Such a shipment was defined as consisting of "several component parts from one consignor at a single origin airport tendered for transportation during a calendar week consigned to a single destination airport, the composite shipment weighing (or transportation charges computed upon a weight of) not less than 3000 pounds and all transportation charges being paid by the consignor." The charge applicable was the rate on the total quantity of property shipped during the week from origin airport to destination airport. This rule catered strongly to air freight forwarders and other volume shippers.

This carrier quoted rates on general commodities and on specific commodities. The latter included items on which premium rates were charged as well as those on which discounts were named. The volume breaks varied slightly from those of Slick. In comparing California Eastern's tariff with that of Slick, the latter's rates were usually very slightly lower on shipments of 100 pounds and over. When the application of the split pickup rule was permissible, California Eastern's rates were lower than those of competitors. This carrier had a practice of equalizing San Francisco and Los Angeles rates to Denver and eastern points and generally had a rate advantage on competitors in serving San Francisco. On shipments of less than 100 pounds the rates on shipments between most points usually were lower than other carriers, and the minimum charge was only $1.00 per shipment.

Certificated Carriers File Reduced Rates

American, PCA, and United, which competed actively with the non-certificated lines, took steps to reduce certain rates effective October 5, 1947. Each filed specific commodity tariffs applying to 100 pound and heavier shipments of listed commodities to be transported between designated cities. The commodities selected for these lower rates included agricultural and horticultural products (except cut flowers), aircraft and automobile parts and accessories, wearing apparel, drugs, dry goods, electrical appliances or parts, films, fresh fruit or vegetables, radios or radio parts, machines or machine parts, and telephone or telegraph instruments, parts, or supplies. These commodities constituted a major portion of the traffic of non-certificated carriers. The cities between which these new rates applied included Chicago, Detroit, Los Angeles, Newark and New York. These were important points served by both groups of carriers.

As their 100 pound rates in these specific commodity tariffs the three carriers adopted the rates published on general commodities in

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56 Airfreight Tariff No. 1, CAB No. 1.
57 Items 5(h) and 135(a).
58 These tariffs were American Airlines, Inc., Airfreight Tariff No. 22, CAB No. 31; PCA Airfreight Tariff No. 4, CAB No. 7, and United Air Lines, Inc., Air Freight Tariff No. 3, CAB No. 8.
the 1000-2999 pound bracket by two major competitors, Slick and The Flying Tiger Line. The rates named on specific commodities by these certificated lines, then, were lower than those of their competitors on shipments weighing between 100 and 999 pounds, exactly equivalent in the 1000-2999 pound bracket, but higher than those of their competitors on shipments exceeding 3000 pounds. The new rates were not on a uniform basis but approximated 13.8 cents per ton-mile on shipments from New York to Chicago, and 12.8 cents per ton-mile from New York to Los Angeles. TWA filed a specific commodity tariff, effective October 27, 1947, which met the rates of competing certificated lines. However, this applied only on eastbound shipments from California points.

The Air Freight Forwarder Association filed a motion with the CAB on September 18, 1947, to suspend the specific commodity tariffs filed by American, PCA, and United. Certain non-certificated cargo carriers filed similar motions. These petitions were denied, but the Board ordered an investigation of these tariffs and also of the tariffs filed by 10 non-certificated cargo carriers. The CAB stated that the purpose of the investigation "is to attempt to develop some rational principles for tariff-making in air transportation as well as to inquire into the validity of the tariffs that have been filed."

Prior to issuance of the CAB decision, United took steps to make the new 100 pound specific commodity rates apply on general commodities, with five exceptions, and on a system-wide basis. Reductions in rates applying on shipments of less than 100 pounds also were specified. Certain of United's competitors, Inland, Southwest, and Western joined in these supplements to the consolidated tariff, proposed to become effective October 25, 1947. TWA also initiated changes in the same tariff to be effective November 7, 1947, but the rates named on 100 pound and smaller shipments were higher than those of United, approximating 15 cents per ton-mile. American, PCA, and TWA filed supplements to or revised their commodity tariffs, making the low rates applicable to additional commodities and points. These were to become effective in the last few days of October.

At this point the CAB stepped in to halt rate reductions pending the investigations previously ordered. On petition of Slick Airways,
Inc., and the Independent Air Freight Association, Inc., the Board suspended the supplements containing the United, Inland, Southwest, Western, and TWA revisions to the consolidated tariff. The same order also suspended the specific commodity rates of PCA, TWA and American insofar as they were not comparable to the commodity descriptions and applicable rates in effect for another certificated carrier. An investigation of the tariffs suspended was also instituted with the purpose of prescribing lawful rates if the proposed rates were found unlawful. Subsequently the Board ordered that a pending investigation be extended to determine whether the specific commodity tariffs or revisions of the consolidated tariff filed by American, PCA, United and TWA in October evidence any agreement between some

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62 By an order (Serial E-1016) dated Nov. 20, 1947, the CAB consolidated this and certain other investigations into one proceeding (Docket No. 1705 et al.) known as the Air Freight Rate Case. Hearings on this docket were scheduled to begin Feb. 2, 1948. The CAB stated (Notice of Hearing, dated Jan. 13, 1948) that particular attention will be directed in this proceeding to the following matters and questions:

"I. Whether the rates and charges for the transportation of freight under investigation are unjust or unreasonable, or unjustly discriminatory, or unduly preferential, or unduly prejudicial because of:

1. Differences or lack of differences in per ton-mile charges for shipments of various weights or sizes;
2. Differences or lack of differences in per ton-mile charges for hauls of various distances;
3. Differences or lack of differences in rates charged various shippers;
4. Differences or lack of differences in rates charged for shipments to or from particular points or localities;
5. Differences or lack of differences in rates charged for shipments of particular descriptions of traffic;
6. Other reasons.

II. In the event rates and charges for the transportation of freight under investigation are unjust or unreasonable, or unjustly discriminatory, or unduly preferential, or unduly prejudicial, what are the lawful rates which the Board should prescribe?

III. In determining the lawfulness of existing rates or, in the event existing rates are found unlawful, the rates to be prescribed by the Board, to what extent should the following be considered:

1. Cost of service, value of service, and other factors;
2. Feasibility of fixing rates for carriers as individuals, by classes, or as a whole;
3. Extent to which transportation of air freight should be developed as a by-product in passenger planes of carriers certificated for passengers and property, or as all-freight operations by all-cargo carriers;
4. Possible financial burden on, or benefit to, other types of traffic carried by the certificated carriers;
5. The effect of such rates upon the movement of traffic;
6. Need in the public interest of adequate and efficient transportation of persons and property by air carriers at the lowest cost consistent with the furnishing of such service;
7. Such standards respecting the character and quality of service to be rendered by air carriers as may be prescribed by or pursuant to law;
8. The inherent advantages of transportation by aircraft; and
9. The need of each air carrier for revenue sufficient to enable such air carrier under honest, economical, and efficient management to provide adequate and efficient air carrier service."
or all of the carriers required to be filed with the Board under Section 412 of the Act and Part 251.1 of the Economic Regulations.

Competitive Position as of January 1, 1948

In conclusion, the rates in effect as of January 1, 1948 for certain certificated carriers (American, PCA, TWA, and United) are compared with the rates of certain non-certificated cargo carriers (Slick and The Flying Tiger Line) applying on shipments between principal points served by both groups. On all general commodity shipments, the non-certificated carriers published lower rates than their competitors. The non-certificated carriers also published lower rates on shipments of less than 100 pounds of those items listed by the certificated carriers in their specific commodity tariffs effective October 5, 1947. On shipments of 100 to 999 pounds of these items, the rates of the certificated carriers were lower than the non-certificated carriers except on two items on which the latter group named specific commodity rates. With the same exceptions, published rates for the two groups were identical on shipments of 1000 to 2999 pounds of items covered by the specific commodity tariffs effective October 5, but rates of the non-certificated lines were lower on shipments in excess of 2999 pounds.

As of January 1, 1948, then, all published rates of the non-certificated carriers were either equal to or lower than the certificated lines except on shipments of 100 to 999 pounds of most of the items listed by the latter group in the specific commodity tariffs which became effective on October 5, 1947. This was a vital weight bracket, however, on a list of important commodities. But in certain cases the non-certificated carriers were not under a rate disadvantage on these shipments. When Slick's 70 percent deferred rate was applicable, its rates on these shipments were lower than the certificated lines. The special deferred rate published by The Flying Tiger Line on certain eastbound shipments from Burbank eliminated the rate disadvantage of that carrier on two items.

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63 Docket No. 3087 (Serial E-1042, Dec. 2, 1947). In Docket No. 2719 (Serial E-179, Dec. 12, 1946) an investigation was ordered to determine whether Agreement CAB No. 698 entered into between 13 certificated carriers for the establishment of a consolidated air freight tariff and for a discussion of air freight rates and related matters is in violation of the Civil Aeronautics Act of 1938 or adverse to the public interest. By an order (Serial E-1062) dated Dec. 17, 1947, the CAB consolidated these investigations into one proceeding (Docket No. 2719) known as the Air Freight Tariff Agreement Case.

64 The exceptions to this statement were the specific commodity rates named on drugs, and fresh fruits or vegetables, by the non-certificated carriers. See note 58a, supra.

65 See text at note 55, supra.