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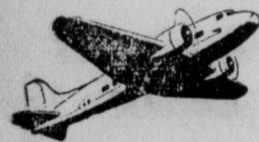
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Memorandum On Widely Publicized Allegations Railroads Overcharged

Politics being what they are—and probably always will be—business can never hope to enjoy freedom from malicious and reckless criticism. The demagogue will always strive to keep himself before the public in the role of the defender of the people's welfare—even if the role is created out of pure fiction.

The fact that the railroads received so much acclaim for the way they performed their war job only served to lend sensationalism to charges that, in performing this patriotic service, they gouged millions of dollars out of the Government and taxpayers through excessive rates on war traffic.

Relatively few people, of course, understand how railway rates are made—how they have been developed over the years to serve the peacetime needs of the nation's commerce. They do not realize that there are thousands upon thousands of rates for different articles and commodities moving between thousands and thousands of different places. They do not know that every rate must take into consideration a variety of factors such as distance, weight, bulk, value, risk, character of equipment and service required, volume, etc.

Then comes an abrupt shift from peacetime commerce to wartime traffic. Cornfields become ammunition plants. New industries rise in all parts of the country. Articles and commodities formerly unheard of begin to flow from production lines, moving to new destinations and under new conditions.

The war, of course, would not wait for a revamping of the whole rate structure to meet these new and constantly changing situations and conditions. Nevertheless, rate adjustments on war traffic were made as rapidly as possible, and until so made, this traffic moved on established commercial rates.

As a result of rate concessions agreed to by the railroads on war traffic, the Government and the taxpayers have been saved many millions of dollars. "These readjustments have materially reduced the over-all cost of the conduct of the war," according to Brigadier General Williamson in his testimony before the Subcommittee of the Committee on Appropriations of the House of Representatives in June, 1945. In addition to that saving, there was a further saving to the Government and taxpayers of approximately three-quarters of a billion dollars as a result of the so-called land-grant rates on which a substantial volume of Government traffic was moved.

And finally—although it is not suggested as condoning any excessive charges—it should be remembered that the excess profits would, for the most part, be recovered by the public treasury.

In the light of these facts the attempt to tarnish the railways' war record can be recognized for exactly what it is.

On February 1st last, in a statement in the Senate, Senator Wheeler summarized a report which had been submitted to the Senate Committee on Interstate Commerce by the Director of the Budget Bureau. It alleged that the Government had been charged excessive rates on some classes of freight. That, as stated, was on February 1st, and despite the fact that certain politicians, columnists and radio commentators seized upon this opportunity to denounce the railroads, the reply to those allegations, submitted by the War Department to the Budget Bureau, has never been made public either by the Budget Bureau or Senator Wheeler. On May 3rd last, in answer to criticism as to why his committee had not made public the War Department's reply, Chairman Wheeler said it had not been transmitted to his committee.

R. V. Fletcher, vice-president of the Association of American Railroads, in his testimony before the Senate Interstate Commerce Committee on May 2nd, said that the report which the Bureau of the Budget sent to Chairman Wheeler "did no more than to express the opinion of certain gentlemen that some of the rates were high."

"The railroads reduced the rates on Government traffic in many thousands of instances," Mr. Fletcher continued. "If in any case the traffic rates were too high, there is a remedy before the In-

terstate Commerce Commission, which exists not only for the purpose of regulating rates but also of awarding reparation in instances where improper rates may have been collected."

One section of the Budget Bureau report reads as follows: "Although in many instances the carriers have incorporated in their published tariffs the rates and charges accorded the War Department, the majority of such rates has been accorded through the medium of Section 22 quotations, a very large number of which provides that the rates so authorized will not be subject to land-grants. This method had the effect of circumventing land-grant provisions."

Following are the facts: Congested port facilities during the war required the establishment of numerous storage points. The commercial tariff rates in effect seldom contained transit arrangements to cover these situations because normally the port facilities were adequate.

A great number of voluntary rate concessions, in the form of the Government by the railroads Section 22 (Interstate Commerce Act) quotations, was granted to replace commercial tariff rates which include no shortage or stopping-in-transit privileges. As a result, the Government was not charged the combination of local rates called for by existing commercial rates.

It is true that a large number of such Section 22 quotations specified that land-grant provisions would not apply. This was done due to the fact that such transit arrangements involved greater expense to the railroads in the form of additional terminal operations and accounting costs.

Land-grant reductions apply only to commercial rates and are not required or intended to be applied to Section 22 quotations. Section 22 of the Interstate Commerce Act, which provides "that nothing in this Act shall prevent the carriage, storage, or handling of property, free or at reduced rates for the United States, State, or municipal governments," contains no clause requiring that land-grant provisions shall also apply to Section 22 quotations.

Therefore, the allegation that land-grant provisions were "circumvented" is not based on fact because the rail rate Section 22 quotations, the lower charges would apply, and, the War Department was always privileged to, and consistently did, take advantage of the lowest rate.

The Budget Bureau report stated further: "The total tonnage of War Department material and supplies has averaged about a hundred million tons annually. Approximately 90 per cent of that tonnage moved by rail." It says "The greater part of the total tonnage of the War Department has been transported under rates, ratings and charges applicable on commercial traffic. A majority of such rates, ratings and charges has not been, and are not, excessive." The report acknowledges that "the Traffic Control Division has negotiated with the carriers for revisions in rates, ratings and charges on many important commodities moving in greater or less volume," but complains that "the rates, ratings and charges on a great many commodities have not been studied."

Major General Charles P. Gross, former Chief of Transportation of the United States Army, recently pointed out to the Senate Committee on Interstate Commerce that "in time of war, the Army creates hundreds of thousands of items that are not commercial in character. In this war, the Army Service Forces had more than half a million items of equipment to supply the forces engaged in war. Many of those items would take the unclassified rate. It was necessary to classify those rates as rapidly as possible, and thus cut the cost of the Federal pocketbook, and that was done for all the services. The rates were published to the nearest comparable rates as fast as

our forces permitted, but with the greatest energy that we could exercise."

In the classification of the hundreds of thousands of items that were not commercial in character, the railroads in all cases assigned rates that were reasonable and not excessive. Such rates conformed with the rate-making laws of the Interstate Commerce Act.

There were many cases where items were of necessity hurriedly classified and rates decided upon without exhaustive study and research being made. This was due to the limited time and personnel available and in order to avoid delay in transporting the supplies. The objective at all times was to ship the supplies first and adjust the rate through negotiation with the Government at a later date if it was out of line.

In its rate negotiations with the railroads, the Government naturally requested many rates at levels lower than the railroads deemed reasonable. However, a rate was usually agreed upon that was satisfactory to both parties. The Government always could—and did on occasion—appear to the Interstate Commerce Commission if it was unable to get a rate from the railroads which it regarded as reasonable.

As the shipping volume of certain products increased, rate revisions were made in countless numbers of cases. These revisions were due to changing conditions which warranted lowering the rates, and not to the fact that the original rate was ever excessive.

The Budget Bureau report expressed the opinion that "virtually all rates and charges on transited traffic have been and are unreasonable to the extent of the addition of the Ex Parte 148 increases."

The Interstate Commerce Commission order suspending the Ex Parte 148 increases contained a clause providing that these increases could be continued on rates the railroads had made which were lower than those in effect on March 17, 1942—the day before the increases became effective.

The railroads, at the request of the Government, did remove the Ex Parte increase from many of the Section 22 quotations.

"Viewing the over-all picture," the Budget Bureau report acknowledges, "the revision in rates, ratings and charges and in various rules and regulations, and the granting of transit arrangements, which have resulted from negotiations with the carriers by the Traffic Control Division, have resulted in very great savings to the War Department."

Brigadier General W. J. Williamson, Chief, War Department Traffic Control Division, in his testimony before the House Subcommittee of the Committee on Appropriations in June, 1945, said, "the majority of the readjustments in rates has been granted voluntarily by the carriers, railroads and motor carriers, as a result of representations made by the Traffic Control Division, and in most instances reflect as low as, or lower than would be prescribed by the Interstate Commerce Commission on the same commodities."

"These readjustments," General Williamson said, "have materially reduced the over-all cost of the conduct of the war and constitute tangible evidence of the sincere cooperation of the railroads, and other carriers, in the prosecution of the war."

"In the development of peacetime commerce in the United States," General Williamson declared, "the railroads, with the approval of the Interstate Commerce Commission, have established the accessorial service generally known as a transit arrangement, in order to either equalize two shippers located at different points or to facilitate the distribution of goods and retain the traffic to the railroads."

"Transit arrangements," General Williamson continued, "are predicated upon the legal fiction

that two separate local movements into and out of the transit point are assumed to be one continuous through movement. The through rate from the original point of shipment to the final destination is charged, plus a small arbitrary rate for the additional terminal service and accounting, instead of the combination of local rates to and from the transit point.

"This application of the through rate instead of two local rates to a shipment which is placed in storage at a point between origin and final destination," General Williamson said, "results in savings in transportation charges ranging from one-half cent to more than 50 cents per 100 lbs."

"The application of transit arrangements to War Department traffic resulted in several economies," General Williamson stated. "First, it regulated the flow of traffic to domestic installations in the United States as well as to the ports; second, it released freight cars to provide additional transportation facilities; and third, it effected great savings in the over-all transportation bill."

"A conservative and informed estimate of the economy resulting from the use of transit arrangements by the War Department," General Williamson said, "places the saving at a minimum of \$50,000,000 per year."

Sales Holiday Declared On Leaf Markets

Raleigh, Aug.—A five-day sales holiday for flue-cured tobacco markets, beginning Thursday morning and ending on the morning of September 5, was announced today by Fred S. Royster of a flue-cured tobacco marketing Henderson following a meeting of committee here.

The 15-man committee, composed of five growers, five buyers, and five warehousemen, determined on this action because of congestion now existing in many of the redrying plants of many buying companies, Royster said.

Because of the holiday, Royster said, the opening date for the middle belt markets will be deferred until September 16. The opening date of the old belt markets will be deferred until September 23, Royster said.

The committee, according to Royster, recommends that tobacco growers not grade or place their tobacco on the markets any faster than the processing plants can handle their offerings.

The group also warned the growers not to place their tobacco on warehouse floors too far in advance of sales for fear of damage.

Royster said that the action of the committee "is certain to be for the best interest" of the farmers, buyers, and warehousemen, and he urged that all concerned give their full cooperation.

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No matter where . . . no matter when, your Red Cross mothers all. Around the globe her heart and hand reaches understandingly, tenderly and helpfully to those in need. During the war the list of services extended to the men in the armed forces and their families was almost endless. Today with the greatest struggle in history over she continues to work on with even greater intensity. To those boys still overseas your Red Cross offers recreation and a touch of home. To the hospitalized she offers comfort and war-hearted sympathy. And to the victims of devastated lands she gives food, clothes and consolation. Mother to millions is your Red Cross.

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Pastors' Wives Conduct Annual Meet At Center

Montreat—Mrs. D. A. Swicord was named president of the Ministers' Wives forum at the meeting held in connection with the Bible conference last week which brought summer activities at the assembly to a close.

Other officers elected were Mrs. John W. McQueen, vice-president; and Mrs. Fred A. Hopkins, secretary and treasurer. Wives of 85 ministers were in attendance.

The program opened last Monday with a get acquainted meeting and continued through Friday, with various topics of interest to the group being discussed by speakers and in discussion periods.

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