

CHAPTER VI

THE PRACTICAL ASPECTS OF RATE MAKING (*Continued*)

Having considered the more important factors involved in the classification of commodities, it is essential to turn our attention to those business conditions which are the practical forces at work underlying the actual determination of rates. The railway company is a business institution, operating as one of the central and most vital elements in the business world. As such, its rates must be made with reference to the welfare of those enterprises which furnish its traffic and as the conditions in the business world change the rates charged for the conveyance of traffic must also change. It must not be thought that the fixing of rates is a matter which can be done entirely independently of the classification. Even in arranging the classification the railway company must keep constantly in mind considerations as to the revenue which it must obtain from the traffic and a change in the classification of an article almost always means a change in the rate charged for its carriage. It is inevitable, therefore, that the bases of the classification should be among the factors which must be taken into account in adjusting a schedule of rates for the articles in the classification; but they are not the only factors which must be considered in the establishment of such a freight tariff. The fact that the railway company's services are used by all classes in the community shows how intimately the company's welfare is bound up with the changes in either particular or general business. Moreover, the railway, like the wholesale house, because it handles such a large amount of business, is among the first to feel any effects of changes in the demand for and the supply of products. This, taken into consideration with the fact already discussed that the railway is a business of increasing returns and that it responds almost immediately in its financial results to slight changes in the volume of traffic conveyed, shows conclusively the extremely intimate relation which the railway bears to business prosperity or adversity and how carefully its traffic department must adjust rates to the incessant changes of commercial conditions.

The filing of new tariffs or of supplements to existing tariffs, which goes on continually, shows how consistently the railway tariff bureau