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# The effect of transportation upon Richmond as a wholesale center

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THE EFFECT OF TRANSPORTATION  
UPON RICHMOND AS A  
WHOLESALE CENTER

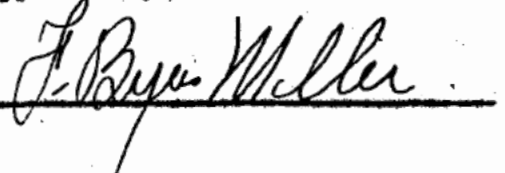
Martin L. Shatzberger

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A Thesis  
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Master of Science In Business Administration

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A handwritten signature in cursive script, reading "J. Bryan Miller", is written over a horizontal line.

This paper could not have been written without the assistance of Mr. Frank I. McDonough of the Richmond Chamber of Commerce, whose untiring efforts have contributed greatly to this writing. To him the author is grateful.

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## Chapter I

### Founding of Richmond as a Market

In 1607 John Smith and Captain Newport sailed up the James River to a point called the Falls, which impeded further travel by water and the two adventurers returned to Jamestown.<sup>1</sup> This site became the location of the city of Richmond. From this point on the James there was adequate water transportation to the settlement of Jamestown and to the sea.

In addition to the all important factor of transportation it was recognized that the chosen site was an excellent one as a place for converging of traffic, and as a trading center. This is well brought out by the words of Colonel William Byrd II, when in September of 1733 he stated, "We laid the foundation of two large cities - one at Shocco's to be called Richmond, and the other at the point of Appamattuck River to be named Petersburg....these two places being the uppermost landings of the James and Appamattuck River, are naturally intended for marts where

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1. Christian, W. A., Richmond, Her Past and Present. p. 2.

the traffic of the outer inhabitants must center."<sup>2</sup> Thus, it is clearly shown that Richmond was founded as a trading center because of natural transportation advantages.

As implied by Colonel Byrd's statement, Richmond was so located, geographically, that traffic from outlying areas would have to converge upon it, thus greatly aiding in making Richmond an important center of trade and commerce.

That there is a definite relationship between market centers and transportation is brought out by Locklin in his book on transportation. He states that generally goods will be bought and sought through markets having the lowest combination of rates.<sup>3</sup> A low combination of rates results from adequate transportation facilities and a strategic location, both of which Richmond enjoyed.

Just as transportation was instrumental in the founding of the city, so was it instrumental in affecting the growth of Richmond as a wholesale center. This forms the subject matter of this presentation; The changes wrought by transportation in Richmond as a wholesale center. To pose the problem in an interrogation, one might ask, "How Does Transportation Effect Richmond as a Wholesale Center?"

For the purpose of this thesis, the following definition of wholesaling will be adhered to; "wholesaling includes all activities relating

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2. Southern Trade. Vol. 10, No. 9. p. 1.

3. Locklin, Economics of Transportation. p. 126.

to the purchase or sale of goods at wholesale, which recognizes no fundamental distinction between the sale of goods by prime producers, manufacturers, or other processes, by wholesalers or functional or non-title taking middlemen engaged in wholesale trade, nor does it differentiate, save within the field of wholesaling, between sales of goods to retailers, to industrial consumers or to wholesale organizations, so long as the purpose of the customer is not for personal gratification." <sup>4</sup>

Transportation as used in this paper shall include the following principal agencies: railroads, waterways, highways, and airways, and the carriers which use these different ways, the trains, the ships and boats, the motor carriers, and the airplanes.

Each mode of transportation has had a direct effect upon Richmond's wholesaling activities. It began with water transportation, followed by the railroads, the motor carriers, and the airplanes, which came to the fore in that order to change the trading picture.

Each different means of transportation development will be treated individually as to its relative importance, and then all will be treated collectively. There will be, of course, a degree of overlapping which will be necessary in order to make comparisons and show the effects each mode had upon the other.

The procedure will be to present the four modes according to chronological order, that is, water, rail, motor, and air.

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4. Beckman and Engle, Wholesaling. p. 26.

In addition to presenting the four primary means of transporting goods, a discussion will be presented relating to Federal control of transportation, and some of the important decisions of the Interstate Commerce Commission as they effected Richmond.

Emphasis will be placed upon the situation as it exists today with a thought on the outlook for the future.

The overall question, posed earlier, of "How Does Transportation Effect Richmond as a Wholesale Center" can be broken down into two component parts; first, in what position is Richmond in relation to getting goods to the wholesaling establishments in Richmond? and secondly, what part does transportation play in the distribution of these goods from the Richmond wholesaler to his customer? When these questions have been answered, the main question will have been essentially answered.



## Chapter II

### The Development of Water Transportation

Located on the James River, which afforded navigable waters to the sea, Richmond early enjoyed the advantage of natural water transportation.

Other than wagon trails, the first concerted effort to give Richmond any means of transporting goods, other than by the James, was the establishment of the James River and Kanawha Company, to construct a canal as a supplement to the James River. Governor Spotswood is credited with the first conception of connecting the eastern flowing waters of Virginia with those flowing westward to the Mississippi.<sup>1</sup> This would afford Richmond a two-way water route to New Orleans, Louisiana.

The canal project was chartered in May, 1784, as the James River Company. This company, however, was succeeded by the James River Kanawha Company in 1832.<sup>2</sup>

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1. Dunaway, W. F., History of the James River and Kanawha Company. p. 1.

2. Mordecai, John B., A Brief History of the Richmond, Fredericksburg & Potomac. p. 2.

By 1820 this canal extended westward from Richmond to Crews Ferry, Virginia.<sup>3</sup>

"Between 1815 and 1820 such commodities as tobacco, wheat, corn, iron ore, stone, timber, and pork were brought to Richmond via the canal system. Carried from Richmond were articles of merchandise."<sup>4</sup> Dunaway's history does not enumerate what these articles of merchandise were, but it is assumed they were finished goods, such as dry goods, and groceries.

By 1840 the canal system had been extended to Lynchburg, and by 1851 to Buchanan.<sup>5</sup> This extension expanded the trading area of Richmond. By 1860 Richmond was trading with New York, Boston, and Baltimore by water, shipping principally tobacco and flour to these cities in exchange for dry goods, groceries and other types of finished merchandise.<sup>6</sup>

At this time, Richmond was the center of trade between the northern cities and the western part of Virginia. From the Lynchburg-Buchanan area it is seen that raw materials, unprocessed, flowed to Richmond in exchange for finished merchandise. These materials from the west were then shipped north from Richmond in exchange for goods which were shipped to the Lynchburg-Buchanan area, and presumably to intermediate points.

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3. Dunaway, op. cit. pp. 44-45.

4. See Cit. Ibid.

5. Ibid. pp. 132-133.

6. Ibid. pp. 164-165.

It should be stated at this point, that by 1860 Richmond had rail facilities to some of the towns in Western Virginia. These rail lines proved to be the final factor in causing bankruptcy of the canal system, even though in 1860 the canal carried by far the largest amount of freight in the state.<sup>7</sup>

After the canal system failed to serve as an economic asset because of railroads, attention was focused upon the James River as an important means of transportation as a check against exorbitant rail rates. This natural waterway offered one great advantage over rail transportation, that of cheaper rates.

The use of water as a means of transportation requires much less tractive effort to move large quantities of goods than does the railroad, thus offering great economy in fuel. Furthermore, the capital outlay for natural waterways and the maintenance of the same in many cases is practically nothing. For railroads, however, the cost of railbeds, rights of way and trackage is tremendous. Often when a waterway is developed it is done with government funds, thereby relieving the waterway users of large initial capital outlay.<sup>8</sup> These factors tend to give water transport the advantage of cheaper rates.

The development of the James and port facilities at Richmond was not without its difficulties.

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7. Ibid. pp. 184-186.

8. Locklin, D. B. Economics of Transportation. p. 706.

The following table will be helpful in studying the early development of the James at Richmond up to 1912:

DEPTHS OF THE JAMES AT RICHMOND  
1870 -- 1912

1870	- - - - -	7 feet
1877	- - - - -	14 feet
1878	- - - - -	16 feet
1912	- - - - -	17 feet <sup>9</sup>

Prior to 1878, Richmond could not handle ships of more than 600 tons capacity.<sup>10</sup> This was a definite disadvantage, as after 1870, the trend in ship construction was to build ships of 1,000 tons and over, which displaced slightly over twenty feet of water.<sup>11</sup>

The shallow channel presented an acute problem to Richmond as a distribution point, which was recognized by city and state officials and the Richmond merchants. The state's interest stemmed from its policy of making Richmond the center of Virginia's commerce by converging the rail lines on Richmond as a port city. Particular interest was given to Richmond at the time, as Norfolk could not be reached by rail except through or around Richmond.

During this period, pleas were made to the federal government to give aid to Richmond in widening and deepening the channel so as to permit larger ships to enter the port.

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9. Technical Advisory Corporation, Improving the James River. A Report of. p. 12.

10. Joint Report of Richmond City and Chamber of Commerce, Improvement of the James River. p. 5.

11. Ibid, p. 6.

Since Richmond had received goods from coastal cities and such foreign countries as Germany and Chile,<sup>13</sup> this restriction had an adverse effect. The cities from which Richmond received goods were: New York, with a channel depth of 29 feet, 3 inches, Philadelphia, with a harbor depth of 19 to 25 feet, dependent on tide, and Baltimore, with a depth of 27 to 28½ feet. Norfolk had a channel depth of 25 to 28 feet.<sup>14</sup> Any of these ports were capable of handling 1,000 ton ships, with the exception of Philadelphia at low tide.

It is safe to assume that the shippers used the larger ships, so as to effect economies in cargo handling. In the face of such a situation, Richmond was placed at a distinct disadvantage, particularly to Norfolk as far as shipping to and receiving goods from New York, Baltimore and Philadelphia was concerned.

It was necessary for ships carrying goods destined for Richmond, which were larger than 600 tons, to unload at Norfolk. The goods then had to be put on ships small enough to navigate the river, or on rails and then shipped to Richmond. Either of these operations was costly.

This adverse condition tended to have two direct results, and one rather of a conjectural nature. The direct results were that Norfolk began to take much of Richmond's distribution business to the south, and

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13. Richmond Chamber of Commerce, James River, A National Waterway, p. 7.

14. Ibid. p. 6.

that Baltimore took much of it to the west.<sup>15</sup> The possibility that Richmond might have been a great flour exporter, but for the lack of deep water facilities, was the last result. By drawing a straight line from Richmond to Montana it will be seen that Richmond is nearer the great grain growing region than any port north of Richmond. Good rail facilities, by 1886, were available from that area to Richmond.<sup>16</sup>

Had the storage facilities been available and the proper channel depth been present, there is good reason to believe that Richmond could have developed into a great flour export and manufacturing center.

Richmond was an important manufacturer of flour in the '80's, as illustrated by the fact that there was shipped to Brazil alone, in 1886, over a million dollars worth of flour.<sup>17</sup> In 1885, there were six flour mills in the city with an aggregate sales volume of over two and one half million dollars. This was second only to the tobacco manufacturing industry, which had sales of over eight million dollars.<sup>18</sup>

This is a case of transportation, a lack thereof, hindering the growth of Richmond as a distribution center.

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15. See. Cit. Ibid.

16. Imboden, J. D., Report on the Internal Commerce of the United States., Appendix, Virginia, p. 211.

17. Ibid. p. 84.

18. Ibid. p. 80.

Between 1900 and 1920 the overall tonnage of the Richmond sector of the James continued to decline rapidly, until in 1920, the tonnage reached a point lower than any of the previous thirty years.<sup>19</sup>

Even with the shortcomings of Richmond's harbor facilities, there was one great advantage derived. The harbor was of prime importance in maintaining Richmond's position as a distribution center via land facilities, primarily that of rail. Water carriers on the James were considered the prime competition of the rail carriers. This fact, that, if necessary, the city could revert to water carriers, served as a deterrent to the rail lines and resulted in Richmond's having favorable freight rates to and from the north.<sup>20</sup>

The primary use of water after the full development of rail was to bring goods to Richmond for further distribution. Obviously, the city could not service many towns along the James, due to a lack of harbor facilities, therefore the main area served by Richmond was to the immediate north, and to the south and west. The mode of transport used to reach these areas was by rail.

The government aided Richmond with the passage of the Mann-Elkins Act in 1910. This act forbade the raising of rail rates which had been

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19. Technical Advisory Corporation., op. cit. Appendix A. pp. 34-35.

20. Mitchell, Broadus, Richmond's Transportation Facilities, A Crisis, p. 12.

reduced to meet water competition.<sup>21</sup> The Mann-Elkins Act was instrumental in maintaining the so-called tidewater rates which Richmond enjoyed.

The James was looked upon as the best means of maintaining and expanding Richmond's jobbing trade, which had from 1880 to 1917 increased from \$25,000,000 to \$1,000,500,000.<sup>22</sup>

In 1918, the weakness of the shallow depth and narrow width of the James at Richmond, showed a tendency of relieving Richmond of its lower inland rates.<sup>23</sup> This was very important. With Richmond receiving tidewater rates from the north, and inland southern cities and western cities forced to use inland rates, then Richmond was in a very advantageous position.

Assuming a Durham firm ordered dry goods from a New York wholesaler, he had to pay high inland freight rates from New York to Durham, but he could, under the existing circumstances, order the same goods through a Richmond distributor, who could receive the goods from New York at tidewater rates and ship to Durham on inland rates, which usually resulted in savings. Such a situation naturally would cause the Durham firm to purchase from Richmond.

Just such a situation as outlined above is what permitted Richmond distributors to reach into North and South Carolina, West Virginia and Tennessee.<sup>24</sup>

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22. Mitchell, op. cit. p. 5.

23. Loc. Cit. *Ibid*

24. Ibid. p. 6.



Much of this trade from West Virginia and Tennessee was wrested from Baltimore.<sup>25</sup> It was feared that if the depth of the channel were not deepened, much of this area would go back to Baltimore or other northern cities.

Volume of trade on the James at Richmond continued to decline, in proportion to overall river trade, in fact, steamships stopped entering the Richmond harbor about 1900 and no steamer came in until 1933, following the opening of Richmond's intermediate terminal.<sup>26</sup>

The intermediate terminal was completed in December of 1932, and opened early in 1933.<sup>27</sup> As a result of this added facility, Richmond was capable of handling ships of a length of 415 feet,<sup>28</sup> which resulted in an increase in tonnage volume of almost 200,000 tons. In 1932 the tonnage was 667,903 tons, and 858,573 tons in 1933.<sup>29</sup>

In 1933, Richmond had the intermediate terminal and a city dock. There was, however, a need for a deep water terminal. This need was recognized by city, state, and federal groups. Although this was the case, it was not until 1940 that the city was to have full use of such facilities.

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25. Loc. Cit. Ibid.

26. Richmond News Leader, October 15, 1940. p. 2.

27. Annual Report, Director of Public Works, Richmond, Virginia. 1934. p. 15.

28. Ibid. p. 13.

29. Ibid. p. 15.

The deepwater terminal, located some four miles below the city, was dedicated October 16, 1940.<sup>30</sup>

To illustrate how commerce at the Richmond harbor facilities increased from the opening of the intermediate terminal to some seven years after the opening of the deep water terminal the following table is presented.

1934	894,947 tons
1935	899,129 tons
1936	1,086,017 tons
1937	1,156,916 tons
1938	1,197,487 tons
1939	1,474,060 tons
1940	1,426,151 tons
1946	1,379,204 tons
1947	2,363,039 tons <sup>31</sup>

In 1940 there was a drop in tonnage, and as shown in the chart, a further drop was recorded in 1946. The tonnage drop from 1940 through 1946 was due largely to the government use of vessels for the war effort which greatly hindered inland water trade.

At present, the city enjoys excellent harbor facilities. The Deep Water Terminal is capable of handling ships of 650 foot length, with its 25 foot depth and 200 foot width. In 1941 the terminal could handle approximately 90% of the commercial vessels afloat.<sup>32</sup>

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30. Richmond News Leader, October 16, 1940, p. 2.

31. Annual Reports of Director of Public Works, Richmond. 1935, 1937, 1939, 1940, 1947-48.

32. Richmond Chamber of Commerce, Industrial Appraisal of Richmond, Virginia. p. 8.

The port facilities alone were not sufficient for the improving of Richmond's position as a distribution center. The water facilities would have to supplement and complement other transport facilities. This was brought to the attention of Richmonders by an official of the Transportation Division of the Bureau of Foreign and Domestic Commerce, when he stated upon completion of Deep Water Terminal, "Richmond's Deep Water Terminal will not suffice to make the city a world port. It will be necessary to co-ordinate her water transportation with land, rail and other transportation facilities, so that the cost of shipping may be reduced to a minimum."<sup>33</sup>

Richmond has coordinated her motor and rail facilities with the terminal. Rail facilities are available from the terminal warehouses, and there is a dual lane highway connecting the terminal with South Richmond.

Although it is expected that the water facilities in Richmond will increase tonnage volume, it is doubtful that they will play an important role in reestablishing favorable rail and motor rates as has been the case in the past.

As pointed out earlier, the water way was an all important factor in preserving favorable rail rates for Richmond, which permitted her to widen her distribution area. These rates were held low because of the competition the water way potentially offered the rail lines. Today, however through an evolutionary process, the Interstate Commerce Commission has

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33. Richmond News Leader, October 15, 1940, p. 2.

come to hold an iron clad rule over rates of most water carriers, and all rail carriers, and it seems that rates as set by the I. C. C. are not on the basis of competition among transportation facilities.

Water does permit Richmond to bring in hard durable goods, which are not subject to the time element, for distribution, at cheap rates. This serves as a distinct advantage.

At present, the leading products handled at the three water terminals are petroleum products, newsprint, sugar, sand and gravel.<sup>34</sup> Only petroleum products and sugar are conducive to distribution by way of a full-line wholesaler.

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34. Report of Director of Public Works, 1947-48. p. 101.

### Chapter III

#### The Development of Railroads in Richmond

Railroads have had a vital part in making Richmond the wholesaling center it is today. From the early development of the rail system in the United States until the '30's, when the motor vehicle came into its own for transport of goods, the railroads were by far the most important means of transporting goods.

The early development of rail transportation facilities in Richmond dates back to 1828, when the Chesterfield Coal Field Railroad was chartered. This line was but thirteen miles long, and ran from Richmond to the coal fields at Midlothian, Virginia. It was a short lived road, going out of business in 1851, but it was a success for the twenty-three year period and indicated that rail lines could be profitable, thereby adding impetus to the rail movement in Virginia.<sup>1</sup> The roadbed of this

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1. Turner, C. W., The Early Railroad Movement in Virginia, p. 355.

old line is still visible, in parts, where it parallels the Midlothian Turnpike.

Richmond early made a bid for trade in North Carolina, when the Petersburg and Roanoke Railroad Company was chartered in 1830,<sup>2</sup> and shortly thereafter when the Petersburg and Richmond line was established with the express purpose of tapping the trade of the Roanoke country of North Carolina.<sup>3</sup> The Petersburg and Richmond served as the parent road for the present day Atlantic Coast Line.<sup>4</sup>

By 1860, Richmond could reach as far south as Florence, South Carolina by rail, which area Richmond distributors served.<sup>5</sup>

The Seaboard Railway took over the Portsmouth and Roanoke line, and in 1899, established its northern terminus at Richmond.<sup>6</sup>

The Chesapeake and Ohio Railroad, which now serves Richmond to Newport News, Virginia and into Ohio, accepts 1836 as its date of origin, which marks the founding of the Louisa Railroad.<sup>7</sup> In addition to this line, the Chesapeake and Ohio took over many others, too numerous to

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2. loc. Cit. Ibid.

3. Dozier, H. D., The Atlantic Coast Line Railroad. p. 35.

4. Ibid. p. 143.

5. loc. Cit. Ibid.

6. Mordacai, J. B., A Brief History of the R. F. & P. p. 45.

7. Nelson, J. P., The Story of the Chesapeake & Ohio Railway Company. pp. 6-21.

mention.

The Richmond Fredericksburg and Potomac was founded in 1832.<sup>8</sup> This line was established to be part of the north-south route. Walden, North Carolina to Washington.<sup>9</sup>

By 1872, upon completion of the R. F. & P. to Quantico as its northern terminus, through service was available from Baltimore to Walden through Richmond.<sup>10</sup>

The line from Richmond and Danville, known as the Richmond and Danville Railway, was chartered in March of 1847,<sup>11</sup> becoming eventually the parent line of the Southern Railway system. This line expanded rapidly and by September of 1894, operated over 4,000 miles of rail lines.<sup>12</sup>

Briefly, the development of the five major lines which serve Richmond has been traced. By 1900 the city had the services of these lines almost fully developed.

The early plan of the Virginia legislature, on railroads, was to work out a system of rail lines which would permit the conveyance of commodities to Virginia cities which had waterway facilities,<sup>13</sup> Richmond

8. Mordecai, op. cit. p. 2.

9. Turner, op. cit. p. 359.

10. Loc. Cit. Ibid.

11. Imboden, op. cit. p. 20.

12. First Annual Report of the Southern Railway, p. 3.

13. Imboden, loc. cit.

being one of these cities. This plan was never fully carried out, in fact, in 1831 with the chartering of the Winchester and Potomac Railroad, the trade of the lush Shenandoah Valley area was virtually given to Baltimore. Later, Philadelphia was able to take part of this trade when the Shenandoah Valley Railroad was connected with the Norfolk and Western at Roanoke, giving Philadelphia access to this area via Shepherdstown, which was the northern terminus of the Valley line.<sup>14</sup>

The chartering of these two lines in particular saw an early deviation from the general plan and caused an early loss of a vast trading area for Richmond.

Perhaps the most important line to Richmond, prior to 1900, was the line from Richmond to Danville, which running through Danville, joined at the North Carolina border with other lines to offer an unbroken rail system from Richmond to Atlanta.

Richmond enjoyed great benefits from this system, extending through North and South Carolina and Georgia. The Richmond tobacco manufacturers found wonderful sources of raw material, and they, along with producers of fertilizer, flour and agricultural implements, found an immense area for the consumption of their products.

This line carried from Richmond such commodities as manufactured tobacco, bacon, hay, dry goods and groceries.

With the purchase, in 1881, of the Midland Railway, by the Southern

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14. Ibid. p. 29.



System, there was a line to Atlanta from Washington through Danville north-west of Richmond. It was felt that the Washington-Danville line would result in discrimination in rate structure in favor of the northern cities over Richmond. Such, however, was not the case as late as 1886.<sup>15</sup>

The Chesapeake and Ohio formed the link between Richmond and New Orleans, by way of Memphis, Vicksburg and Louisville. Thus, Richmond was connected with every city east of the Mississippi and south of a line from Cincinnati to Richmond.<sup>16</sup> The connection to the north through the Richmond, Fredericksburg and Potomac has already been pointed out. The Chesapeake and Ohio, carried from Richmond such things as flour, sugar, molasses, tobacco, fruits, salt, dry goods, fertilizer and machinery.<sup>17</sup>

The other lines serving Richmond about 1900 carried much the same type of goods as already listed from Richmond. The Richmond, Fredericksburg and Potomac was important in bringing to Richmond finished goods of every nature from the north.<sup>18</sup>

Richmond's distribution area at the turn of the century was to the south and west. Their area has never gone very far north, due to competition from northern cities.

The rail lines were subject to keen competition from the water lines,

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15. Ibid. Passim pp. 36-38.

16. Ibid. p. 46.

17. Mordecai, op. cit.

18. Mordecai, op. cit.

and from other rail roads. The competition among the rail lines is illustrated by the following statement, "In 1882 the Richmond, Fredericksburg and Potomac had to carry some traffic at little or no profit as a result of rate wars which existed between trunk lines."<sup>19</sup>

That competition existed between the water carriers and rail lines is apparent from a report of the Richmond Chamber of Commerce, which stated, "In 1892 a war of rates existed between the rail lines and the water lines competing between Richmond, New York, Philadelphia and Baltimore, which had been raging for some time; culminated by the contestants combining under the name of the Virginia Freight Association, and then advancing their rates...to a higher level than prior to the rate wars."<sup>20</sup>

It was felt that the new freight rate structure between Richmond and the northern cities was discriminatory to Richmond in favor of other Chesapeake ports as points of reshipment, thus hampering Richmond's trade to the south and west.<sup>21</sup> In other words, the rates to Richmond being higher, the northern shippers could, by going around Richmond, move into the south and west cheaper than if they shipped to Richmond. Under that situation, it was only natural to expect that the shippers would penetrate the territories where they had favorable freight rates.

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✓ 19. Mordecai, op. cit., p. 51.

20. Richmond Chamber of Commerce., Report of Traffic Bureau, 1896. p. 9.

✓ 21. Sec. Cit. Ibid.

The fight was carried to the carriers and in 1896, an adjustment in rates was achieved between Richmond and New York, which placed Richmond on its old basis with other southern port cities and with New York. Shortly afterwards comparable adjustments were made between Richmond, Philadelphia and Baltimore, which essentially placed Richmond on its old competitive basis with these cities.<sup>22</sup>

In 1900 Richmond was competing by rail with Baltimore north to Quantico, Virginia, and with Augusta and Atlanta in South Carolina. To the west, the main competition came from Baltimore, but Richmond was distributing as far as Jackson, Tennessee.<sup>23</sup>

To some extent, Richmond competed by water in New Orleans with Baltimore<sup>24</sup>. Up to 1920, it seems the primary job was to develop a distribution area, and after that date it was a case of maintaining the area developed.

Prior to the use of trucks the distribution area could be defined by rail lines to all intents and purposes. From the chapter on water and this chapter on rails the distribution area of Richmond could be set up as follows, in 1920, north to Quantico, west to parts of Tennessee and West Virginia, North and South Carolina, with the southern line running from a

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22. Ibid. p. 10.

23. Richmond Chamber of Commerce, Report of the Traffic Bureau, 1900. pp. 7-8.

24. Ibid. p. 6.

point north of Augusta, west to a point north of Atlanta, and south of the Carolinas. Most of this area was, of course, competitive. Only certain areas in Virginia and North Carolina were non-competitive.

While Richmond was striving to maintain its distribution area, the Interstate Commerce Commission placed the city in an enviable position. In 1919 the three railroad territories were set, known as the Southern, Official, and Western territories. The rates of these territories as formed then were to be published in a single volume.<sup>25</sup> With the establishment of these territories, Virginia was split as to classification of goods in interstate traffic. The official classification applied in the northern part and southern classification in the southern part of the state.<sup>26</sup>

On June 7, 1920, the Interstate Commerce Commission designated the boundaries of these territories.

The northern boundary of southern territory was set as the main line of the Norfolk and Western Railway, from Norfolk, Virginia, to Kenova, West Virginia. This line is continued from Kenova to Cincinnati by the Chesapeake and Ohio. The western boundary is set by a line roughly from Cincinnati to New Orleans.

Three rail lines in Virginia and serving Richmond, which were physically above the Norfolk and Western line, were considered in southern

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25. Interstate Commerce Commission Reports, Vol. 54. pp. 1-3.

26. Interstate Commerce Commission Reports, Vol. 58. p. 22.

territory, and shippers using these lines were subject to southern rates. These three lines were the Southern, Seaboard and Atlantic Coast Line.<sup>27</sup>

This territorial division is quite interesting. According to the boundaries, Richmond is geographically in the official territory, but yet three of her rail lines have to serve her on southern rates.

Any goods shipped from official to southern territory carried the southern rate, and anything shipped from southern to official territory also carried southern rates.<sup>28</sup> Since Richmond was the southern-most city in official territory, she enjoyed a very unique position, as any goods shipped within the official territory carried official rates, which were generally lower on finished goods, than southern rates. Therefore, Richmond was in a position to receive goods from the north at a cheaper rate than could any other city in the south, and it gave her an excellent competitive advantage.

To illustrate, let us assume that under this system, Baltimore desired to distribute to Durham. If goods were supplied directly from Baltimore to Durham, the higher southern rate would prevail, but if these goods were sent to Richmond and then to Durham the official rate prevailed to Richmond and the southern rates from Richmond to Durham. Which means the southern rate would apply only slightly over half-way

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27. Loc. Cit. Ibid.

28. Bigham, op. cit. p. 287.

from Baltimore to Durham. This situation tended to give Richmond a distinct advantage in expanding her distribution area to the south.

Lower freight rates from the north and cheap rates from water, gave Richmond the advantage which was pointed out in the first chapter. The city had a low combination of rates, which tended to make her a market center.

By the time the three territories had been accepted, the railroad system was completely developed. Thus by 1920, just prior to the motor vehicle era, Richmond had water and rail facilities, which together, along with the territorial set-up, gave her low rates and a geographical advantage over the cities to the north in distribution to the south.

From this point on, as far as rail transportation is concerned, the thing which was of most importance was not a change in facilities, but changes in the rate structure. Had the rate system remained as it was in 1920, Richmond would probably still be distributing many, many goods to North and South Carolina.

Chapter IV  
The Development of Transportation  
By Motor Vehicle and Air

Prior to the turn of the century, practically all local deliveries were made by horse drawn wagon over turnpikes, many of which had been partially built with federal funds.<sup>1</sup> These turnpikes served as a base for the modern highway system which we now take so much for granted.

The thing, of course, which gave impetus to highway development was the motor vehicle. Although motor carriers led directly to the elaborate system of roadways, they played a vital part in competition with the railroads. This forms an interesting side light. Water served as a competitor and rate checker to the rail lines, as did the motor carrier. Thus the railroads were subject to competition from two very potent forces. These two modes of transportation, it seems, had

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1. Locklin, op. cit. p. 750.

more effect upon rail than did the railroads upon them. This placed the railroads in rather an unenviable position.

Though the motor vehicle was not introduced until just after the turn of the century, it took about twenty years for this mode of transportation to begin to hit its stride, as indicated by the following table:

Motor-Truck Registration in the U. S.

1904	410
1905	600
1910	10,000
1915	136,000
1920	1,006,000
1925	2,440,854 <sup>2</sup>

Perhaps the one thing which added most impetus to the development of the motor truck was the transportation crisis of World War I. The maneuverability and mobility of the motor truck as a carrier was recognized at that time.<sup>3</sup>

The motor vehicle offered certain advantages which could not be offered by railroads or water carriers; some of these advantages are what wrought changes in the distribution system of the United States. Some of these advantages were:

1. The truck had access to any area which had road facilities.
2. In many cases cheaper than rail, particularly in less carload shipments.
3. Faster than rail for short hauls.

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2. Ibid. p. 751.

3. United States Department of Agriculture Bulletin. No. 770.  
p. 2.



- 4. Offered door-to-door pick up and delivery.
- 5. Capable of offering more frequent service than rail.
- 6. Packing requirements are less burdensome.<sup>4</sup>

The first listed advantage was of great importance in the expansion of areas served by distribution centers.

As is well known, the highway system developed quite rapidly and offered transportation service to thousands of areas and communities not previously served. These new areas did not materially affect the rail carriers, as they were not handling freight for them anyway, but they did offer new sources of selling for distribution centers.

The next four listed advantages were the ones which offered the problem to the rail carriers.

The motor carriers, by offering faster and cheaper short haul service, played havoc with rail lines in this field.

As pointed out by Locklin, the less-carload-lot business of railroads had become increasingly unprofitable for the railroads. In fact, in 1932 rail L. C. L. and rail express freight traffic failed to earn a full proportion of total operating expenses and taxes by about \$80,000,000.<sup>5</sup> This caused the rail lines to realize the unprofitable business of L. C. L., and resulted almost in abandonment. Since motor vehicles do not generally cover the distance that rail lines do, there is a tendency to cut distribution areas.

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4. Bigham, op. cit. pp. 91-92.

5. Locklin, op. cit. p. 773.

The tendency has been for some time to get a uniform classification of rates for railroads.<sup>6</sup> Such a tendency, coupled with the trend for motor carriers transporting less-carload-lots short distances is one of the keys to why wholesale areas diminish. With a rate structure approximating uniformity the producers of goods can distribute to any point in carload lots, and have their goods distributed from there. The uniform rate structure would permit wholesale houses to set up at any point without being at a disadvantage to some other city.

As a hypothetical illustration, let us take Richmond and Danville, which Richmond used to distribute to on the wholesale level. Under the uniform system of rates, Danville could receive Heinz products from Pittsburgh at the same rate as Richmond, thus the assumption is that someone in Danville would establish a house for distribution, locally, of these products instead of receiving them from Richmond, which would, of course, narrow Richmond's distribution area.

It seems from a perusal of government statistics, that wholesale houses are increasing in towns and small cities, while the distribution areas of larger cities are becoming smaller. This is attributed by Mr. Frank McDonough of the Traffic Bureau of the Richmond Chamber of Commerce to three things; the system of through rates, as established by the Interstate Commerce Commission, the tendency to a uniform

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6. Ibid. p. 175.

rate structure and motor carriers hauling L. O. L. shipments short distances.

The fact that motor vehicles offered door-to-door service was both an advantage and disadvantage to the rail lines. By owning their own vehicles they could offer door-to-door delivery, but this seldom happened in the early days of the motor vehicle, and the motor carrier, as independent from the railroad, held a strong competitive advantage here.

Besides the advantages which are inherent to the trucking industry, the motor carrier enjoyed certain other advantages up until the 1930's. They were privileged to have a low burden of taxation and a minimum of regulation from governmental sources.<sup>7</sup> Long before the rise of the motor carrier, the rails were under strict control. Further, the various governments furnish and care for the roadway over which they travel.<sup>8</sup>

The motor vehicle by its rapid delivery and door-to-door service, no doubt, had much to do with the present day common practice of "hand-to-mouth" buying. By offering rapid and frequent delivery, the wholesaler gave the retailer the opportunity to buy goods more often. Beckman and Engle state that hand-to-mouth buying would be impossible without prompt and frequent delivery by the wholesaler.<sup>9</sup>

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7. Faulkner, H.U. and Morrow, D.W., American Economic History, p.618.

8. Keikhofer, Wm. N., Economic Principles, Problems and Policies.

9. Beckman and Engle, op. cit. p. 151.

The motor carrier served several very important purposes, first as a competitor to the railroads, particularly on the short haul; it offered more frequent delivery, permitted a change in buying habits, and brought new areas for selling in contact with market centers, but at the same time was instrumental in causing the increase in number of distributing points and in narrowing the area served by large city market centers.

As already indicated, there was rapid development of a highway system. The federal government joined in on aid to states in road construction in 1916 on a 50/50 basis.<sup>10</sup>

Virginia enjoyed many rewards from this federal aid, and in 1938, had over 50,000 miles of roadways covering the state.<sup>11</sup> In 1944, Richmond had available some thirty truck lines to serve her,<sup>12</sup> and by that date many wholesale concerns owned their own trucks for delivery purposes.

A glance at a map shows that Richmond is served by at least six major United States highways, and a number of state roads, which together fan out to give her access via good roads to any part of the country.

The final mode of transportation to be dealt with in this

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10. Virginia Highway Users. Vol. 6, No. 11. p. 11.

11. Richmond News Leader and Times-Dispatch, The New Dominion. p. 4.

12. Ibid. p. 15.

presentation is that of air transport.

Richmond's Municipal Airport, The Richard K. Byrd Flying Field, was completed and opened in 1927.<sup>13</sup> Initially this field was used primarily to carry passengers and mail, with some air express. Even as late as 1940 only 10,813 pounds of air express was shipped from Richmond by air, as compared to 3,625 pounds in 1939.<sup>14</sup>

Facilities at the airport were developed to a high level by the federal government during the recent war. The government returned the airport to the city in 1947.<sup>15</sup> The report of 1947-48 from the Director of Public Works states that the facilities at the airport are not sufficient to properly serve the city as a municipal airport.<sup>16</sup>

In May of 1948 there were four airlines serving Richmond with thirty schedules daily, offering passenger and express service.<sup>17</sup>

At present, the city and Chamber of Commerce are striving to get air freight service into Richmond. In 1948, several lines were attempting to become certificated so as to give Richmond air freight service. The decision of the Civil Aeronautics Board at this writing is still pending.

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13. Annual Report of Director of Public Works., 1930. p. 21.

14. Annual Report of Director of Public Works., 1940. p. 45.

15. Annual Report of Director of Public Works., 1947-48. p. 102.

16. See Cit. *Ibid.*

17. Ibid. p. 103.

Although the potential is there, air transportation has not been of major importance in expanding Richmond's wholesale area, as the cost of air freight transportation is prohibitive except for fashion goods and goods of a highly perishable nature.

The transportation facilities as they exist in Richmond today have been developed historically, with only some reference to the effects upon the city as a wholesale center. Direct effects from transportation facilities, as such, does not tell the entire story. As already mentioned, decision of the Interstate Commerce Commission, relating particularly to railroads have been of great importance in changing the distribution set-up in the country as a whole. Although these decisions did affect the entire country, the discussion here will be confined to the affects these decisions had on Richmond's distribution activities.

## Chapter V

### Regulation of Transportation

Through a long series of legislation by the congress, the federal government has come to have almost absolute control over the activities of transportation companies. This control is of most significance in regulation of rail, motor, and water carriers.

Regulation by the federal government of transportation was by no means the first attempt at control of these facilities. The states had long attempted to regulate rail activities within their borders by various means. The first attempt at regulation was through charters granted to rail lines. The charter plan was followed by a system of regulatory commissions, which in turn gave way to a general law or statutory control.<sup>1</sup>

Illinois, Iowa, Minnesota and Wisconsin were the leaders in controlling railroads by statute.<sup>2</sup>

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1. Locklin, op. cit. pp. 202-208.

2. Bigham, op. cit. p. 130.

These, and other state laws proved satisfactory in regulating intrastate commerce, but it was held by the Supreme Court, in the Wabash case of 1886, that the several states did not have the power to regulate interstate commerce, that right being constitutionally with the United States government.<sup>3</sup>

The Wabash decision is reputed to be the one which led to the passage of the Act To Regulate Commerce of 1887, which is generally referred to as the Interstate Commerce Act.<sup>4</sup>

Between 1887 and 1900, several acts were passed to supplement the initial commerce act, but still in 1900 the Commission was far from being a strong regulatory body. In its essence, about all the commission could do, at that time, was issue "cease and desist orders" upon violation of the act.<sup>5</sup>

By passage of the Expediting Act of 1903, the Hepburn Act of 1906, the Mann-Elkins Act of 1910, and the Water Carrier Act of 1916, Congress had the power to set maximum and minimum rates, control service of the railroads, fix through rates for rail and water carriers, and rate changes as proposed by carriers could be suspended.<sup>6</sup>

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3. Locklin, op. cit. pp. 215-216.

✓ 4. Loc. Cit. Ibid.

5. Ibid. p. 218.

6. Locklin and Bigham, op. cit. passim.



The Water-Carrier Act of 1916 was the first effort by the federal government to regulate water transportation. The act, however, did not place water transportation under the Commerce Commission, wholly; much control rested with the United States Shipping Board, established by this act.

In 1920 the Esch-Cummins Act was passed which stated the carriers were entitled to a fair rate of return upon their property and that rates were to be set, as nearly as possible, so as to insure this fair rate. Control over capitalization was granted the Commission and also an increase in control of service.<sup>7</sup>

The acts of 1933 and 1940 to all intents and purposes rounded out legislation in all fields of rail, water and motor carriers. With this act, the control of interstate commerce was complete.

Briefly, further development of water carrier regulation between 1916 and 1940 will be presented. There were, after 1916, three important pieces of legislation referring to water carriers. They were, the Dennison Act of 1928, the Inter Coastal Shipping Act of 1933, and the Transportation Act of 1940.

Although the Dennison Act dealt almost entirely with Mississippi River traffic, it was of importance as it strengthened the hand of the Commerce Commission in regulation of water-rail carriers.

The act of 1933 gave the Shipping Board the power to suspend

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7. Locklin, op. cit. pp. 245-247.

water-rate changes much as the Commerce Commission was empowered to control rail-rate changes. Amendments to the Intercoastal Shipping Act in 1938 gave the Maritime Commission power to set maximum and minimum rates for common carriers on the high seas<sup>8</sup>.

The most important reference to water carriers in the act of 1940 was that which transferred the regulatory functions of the Maritime Commission to the Interstate Commerce Commission.<sup>9</sup>

The regulatory powers of the Commerce Commission, as they exist today, came about in an evolutionary manner for rail and water carriers. It took 53 years (1887-1940) to develop legislation concerning railroads and 24 years (1916-1940) for water carriers. This situation did not hold for motor carrier control by federal agencies. Control was practically complete with the passage of the first legislation referring to motor vehicles.

In 1935 the Motor Carriers Act was passed by the Congress which gave the Interstate Commerce Commission the power of regulation of motor carriers involved in interstate commerce.<sup>10</sup> The act was an all inclusive one from its inception, as the congress had behind it over half a century of legislation relating to regulation of transportation

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8. Bigham, op. cit.

9. Ibid. p. 201.

10. Ibid. p. 206.

facilities. The act of 1935 was patterned somewhat after the Interstate Commerce Act as amended up to 1935.

This brief section on the growth of the regulatory system of the carriers is not of too much importance, in and of itself, ~~in~~<sup>for</sup> this thesis dealing with wholesaling and transportation, but serves the purpose of establishing the authority of the Commission in passing down the decisions which have had so much effect upon the changing of Richmond's position as a wholesaling center.

## Chapter VI

### The Areas Served by Richmond Wholesalers

#### From Early Days to the Present

Prior to 1900 the primary problem of distribution from Richmond was one of establishing the territory for trading. This problem was well solved and Richmond was early considered to be one of the best distribution points between New York and Galveston. Her waterways gave her a means of receiving goods from foreign ports and northern coastal cities, while her rail lines served as an excellent medium for moving goods out into the west and to the south.<sup>1</sup>

In the early days of development the means of transportation were of utmost importance in establishment of the territory to be served by Richmond wholesalers. After the turn of the century the jobbers in the city were confronted with the difficult problem of maintaining the vast territory as developed. This proved to be a difficult task, indeed, an

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1. Imboden, op. cit. p. 214.

insurmountable one, for Richmond lost eventually, practically her entire volume to the south and west due to changes in rate structure. The discussion in this chapter will hinge around these rate changes as they tended to narrow Richmond's wholesaling and jobbing territory.

"At the turn of the century the grocery wholesalers in Richmond were serving territories in Virginia, (except for the Valley and Northern Neck Areas) North and South Carolina," according to Mr. A. B. Clay of Stokes-Grymes, wholesale grocers in Richmond since 1898. Mr. Clay further states that "Richmond was able to reach into this territory for three reasons, favorable freight rates and adequate rail service, a lack of wholesale houses in the area and the initiative of the companies involved."

"After 1927, the South Carolina area was lost because of rate changes and wholesale competition within the territory."

The grocery wholesaler managed to hold on to North Carolina until late in the 1930's when the favorable rate situation was altered, and truck lines offered competition to the rail lines, and competition from local wholesalers (North Carolina) and jobbers arose. This competition arose as a result of the changes in rates as will be shown later.

At the present time the grocer serves only about a fifty mile radius from Richmond, or as Mr. Clay puts it, "As far as our trucks can go and come back in one day."

The area served by the produce wholesaler has generally followed the same pattern as that of the grocer, so understands the author from

the manager of Blalock Produce Wholesalers in Richmond. In the early days the produce wholesaler did not reach as far as the grocer because of spoilage.

In the hardware field there appears to be two distinct types of wholesalers. One such as W. S. Donnan, which handles heavy hardware and farm implements, and the other such as Watkins-Cottrell which deals primarily in shelf hardware.

Watkins-Cottrell has served and does serve a larger area than W. S. Donnan. The explanation of this, according to H. B. Keck of W. S. Donnan, is that shelf goods carry a higher profit margin and permits the distributor of such goods a larger sales area, as they are able to absorb some of the freight rate.

The Watkins-Cottrell Hardware Company by 1900 had its territory rather well established, which included Virginia, North and South Carolina, and parts of Georgia. To date this particular area has not been materially changed. Distributors<sup>101A</sup> to these areas, states Mr. Claiborne Watkins, Vice President of the concern, is mostly by rail on a Less-Carload basis. Some delivery is made by truck.

Mr. Watkins further states that basically transportation changes, in facilities or rates, have not materially affected the company's area, but has definitely affected costs.

In quite a different position, however, is the W. S. Donnan Company. His company, says Mr. Keck, served, in the early days, about the same territory as did Watkins-Cottrell, but they too fell prey to rate

changes which greatly narrowed their territory, until now they serve only Virginia and parts of North Carolina. In order to maintain all of this area it is necessary to concede freight rates to the purchasers thus reducing their profit margin.

Both Mr. Keck and Mr. Watkins state that the Downing Bridge has aided greatly in permitting their companies to penetrate the Northern Neck area. This bridge spans the Rappahannock River at Tappahannock, Virginia.

Some wholesalers in Richmond, such as Louis Bowman, wholesalers in appliances for the home are set up according to retail trading areas as defined, generally, by the United States Census.

The drug wholesalers and dry goods jobbers differ from other lines in that their areas have expanded. This seems due, in part, to their distribution pattern determined by the manufacturer.

For example, the Bodeker Drug Company started out purely as a local wholesaler, but now serves the southeastern part of North Carolina and Virginia. Shipments to West Virginia go by rail, and to North Carolina by both rail and truck. Local shipments in and around Richmond are made by trucks owned by the Company.

Mr. A. E. Bailey of Bodeker states that though the company's area has increased, it has not been due to transportation.

After seeing what areas Richmond served on the wholesale level the question may well be posed, "How was Richmond able to compete in these

areas against such cities as Raleigh, Durham, Greensboro and Atlanta?" The answer lies in the rate structure. As already pointed out, the city had until 1920, favorable tidewater rates by rail and water. These tidewater rates gave the city low rates by rail and water from the northern metropolitan areas, which in turn gave her an advantage in receiving goods from these cities. Richmond being in the border area, between Southern and Official territories, also had a favorable rate structure over the North Carolina cities to the south. This situation permitted Richmond to bring in vast quantities (carload) of goods from the north and distribute on the wholesale (less-carload) level to the south. Goods shipped in carload lots carry lower rates than less-carload lots.

Though it was earlier stated that some Richmond wholesalers held out in South Carolina until 1927, they did so only by absorbing some of the freight charges, because as early as 1920 the Interstate Commerce Commission began to take steps to correct the situation which gave Richmond a decided edge in the south over such cities as Raleigh and Durham.

In the year just mentioned Interstate Commerce Commission Docket number 10,500 was decided.<sup>2</sup> This case centers around distribution of goods into South Carolina, Georgia, Alabama and parts of Mississippi

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2. Interstate Commerce Commission Reports. Vol. 57. p. 524.



by Raleigh, North Carolina and Richmond.<sup>3</sup>

Richmond's rate structure was such that she could ship, wholesale into these southern areas cheaper than Raleigh and other Carolina cities. In fact, Richmond had an advantage of 60½ cents per 100 pounds over Raleigh into the northern part of South Carolina.<sup>4</sup>

Such advantage was found to exist in both class and commodity rates in favor of Richmond over North Carolina cities.

The southernmost city (Raleigh) felt it unjust that a city 157 rail miles north should have such a rate structure which would permit that city to distribute goods further south, on the wholesale level, than she.

The author feels that this was a just complaint, even though Richmond's area was narrowed, there seems<sup>t. be</sup> no sound reason why Richmond should have an advantage over Raleigh to the south of the latter city.

It is pointed out in this case that Richmond's rail rates from northern port cities were the same as water rates, which were considerably lower than the rail rates to Raleigh from these same northern cities.<sup>5</sup>

The Commission found in May of 1920, that the rate situation as it existed then was prejudicial to North Carolina cities and favorable to

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3. Ibid. p. 525.

4. Ibid. p. 539.

5. Ibid. p. 540-541.





Richmond and Norfolk, and invoked a new schedule of rates which lessened the disparity in rates between northern cities and Richmond, and northern cities and North Carolina cities.<sup>6</sup>

This decision proved to be highly detrimental to many Richmond wholesalers and jobbers who had found in the south, past North Carolina, a rich source of business.

In addition to ridding Richmond of much of her wholesale area to the south, the 1920 decision permitted Raleigh and other southern cities to establish more wholesale houses because of the change in rates from the north to these cities; Raleigh, Durham, and other North Carolina cities then began to compete with Richmond in North Carolina.

After the decision of this case was rendered and a new rate structure was set forth, Richmond wholesalers still were able to "hold on" in parts below North Carolina until 1927 when the Southern class-rate investigation case, Interstate Commerce Commission Docket Number 13494 was decided.

The Southern class rate investigation was made in an attempt to achieve some semblance of uniformity in the Southern territory as set by the 1919 decision when the territories were established.

In this all important case the Commission had several findings, one of which was that the rates charged within Southern territory should be

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6. Ibid. pp. 544-545.

on a mileage basis<sup>7</sup> and that there was no reason why rates within the territory should be so set that they were higher in any particular area than the normal level.<sup>8</sup> These findings mean that despite history and geographic location, no area in the territory should be put at disadvantage to another through a higher rate level.

This last finding, however, was not fully carried out. Richmond in 1935 had certain rate advantages over many North Carolina cities. It must be remembered, of course, that Richmond was, and is, in the Official territory.

The findings mentioned above refer to carload traffic, while the Commission found no reason for change in less-carload rates.<sup>9</sup> Therein was Virginia's and Richmond's advantage, they still used Official rates on goods from the north while southern cities had to use southern rates on goods from the north. After receiving these goods, Richmond shipped less-carload on her already existing and not changed, favorable rate over the Carolina cities.

The significance of the above case is that it permitted the North Carolina cities to establish more wholesale houses because of the, somewhat, general rate classification, which gave more favorable carload

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7. Southern Class-Rate Investigation. p. 615.

8. Ibid.

9. Ibid. p. 641.

rates. These houses, of course, offered competition to Richmond jobbers who were trading in the North Carolina area. This was the case which took Richmond completely out of the South Carolina market. Being put on a mileage basis into South Carolina against such cities as Raleigh and Durham in addition to the rate changes involved in the decision of 1920 was just too much.

Besides the North Carolina cities, many Virginia cities, particularly those in Southern territory, benefited from the 1927 decision and began to offer competition to Richmond in wholesaling in the state of Virginia.

As previously stated, Richmond held on in North Carolina until 1935. Shipping by rail into this territory, the Richmond wholesaler could hold this area only so long as his rail rate was favorable. In 1935 the Interstate Commerce Commission rendered a decision which rocked many wholesalers in Richmond right out of North Carolina, and indeed did a great deal to take much of their old area in Virginia.

The case of 1935, numbered Interstate Commerce Commission Docket 21665 found that certain rates between certain Virginia points (Richmond and Norfolk) were unreasonable and unjust, in favor of the Virginia cities over North Carolina. Reasonable and just rates were prescribed.<sup>10</sup>

In the 1935 case it was pointed out that Virginia cities, in

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10. Interstate Commerce Commission Reports. Vol. 213., p. 259.

particular Richmond, competed for wholesale trade in North Carolina with such cities as Greensboro, Charlotte, Washington, Winston-Salem and Durham. Important among the complainants from these cities were wholesalers in fruits, vegetables, canned goods, dry goods, hardware and work clothing.<sup>11</sup>

Throughout the case, North Carolina dealers complained of the freight rate structure which highly favored the Virginia cities.<sup>12</sup>

In addition to these North Carolina cities, several Virginia cities complained of Richmond's position. A merchant (Wholesaler) from South Boston, Virginia stated he had to have goods, purchased from Official territory by him, shipped to Richmond and move them from Richmond to South Boston by truck because of the rail freight rate spreads between Richmond and South Boston.<sup>13</sup>

By way of repetition, the Commission found that certain Virginia cities, including Richmond, had a definite rate advantage over North Carolina cities and certain other Virginia cities.<sup>14</sup> As a result the rates between these cities were altered, thus resulting in loss of another vast territory.

These three decisions 1920, 1927 and 1935 were perhaps the most important happenings in the narrowing of Richmond's wholesaling area.

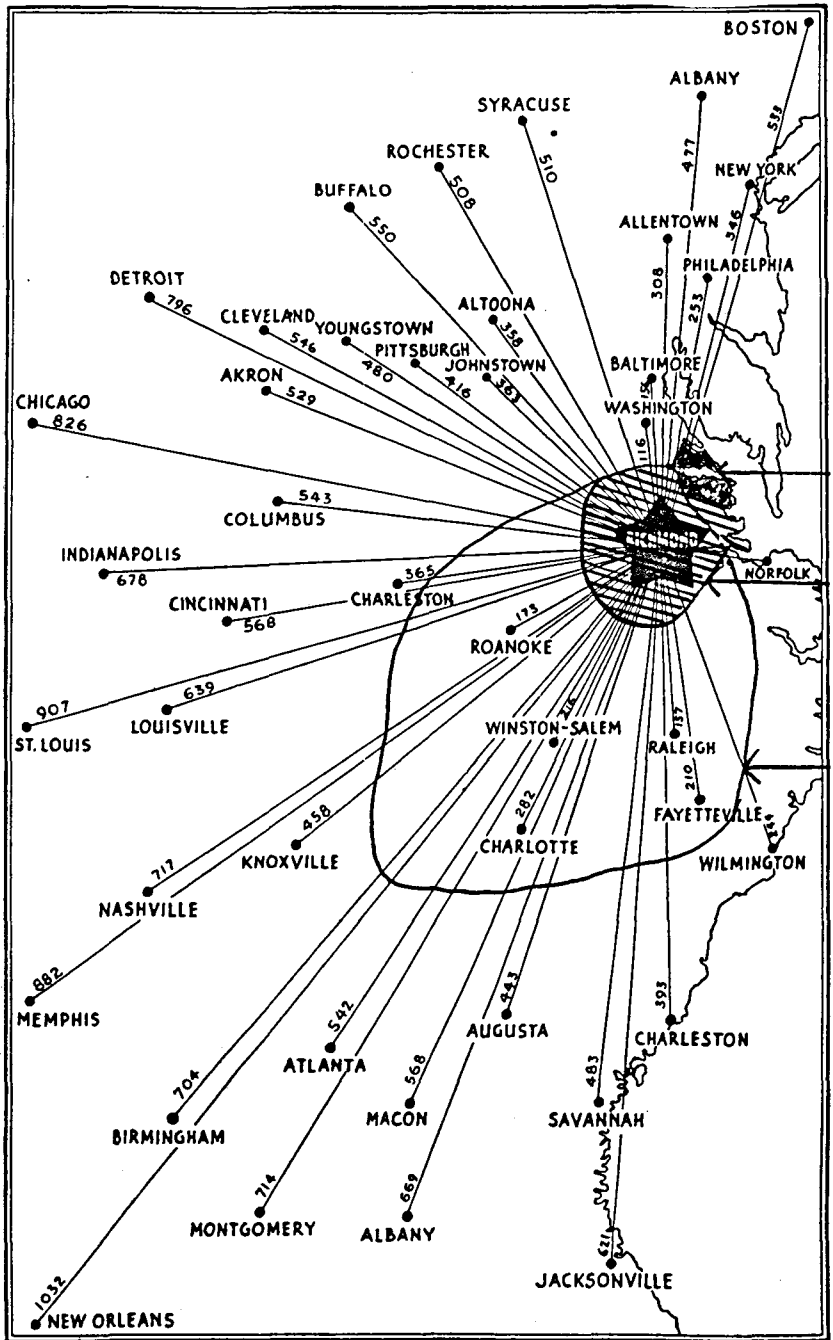
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11. Ibid. p. 270.

12. Loc. Cit. Ibid.

13. Ibid. p. 289.

14. Ibid. p. 290-292.



- ADDED BY DOWNING BRIDGE.

- RICHMOND'S NORMAL NON-COMPETITIVE WHOLESALE AREA AT PRESENT.

- AREA MADE HIGHLY COMPETITIVE BY I.C.C. DECISION OF 1927 AND LOST BY I.C.C. DECISION OF 1935.

Richmond Chamber of Commerce



It does not seem that Richmond wholesalers have anything to complain of in these rate changes which were of such importance in relieving them of such profitable sources of business. It would, of course, be nice for these wholesalers to be able to still serve these large areas, but according to the transportation policy of the United States, they have no right to serve many of these areas. The policy guarantees to each area the advantage of its location. It follows, therefore, that there is no justification for Richmond jobbers serving the Raleigh area retailers when there are wholesalers in Raleigh.

Most wholesalers in Richmond make delivery in their own trucks. It appears that the use of trucks did not come about to succeed rail deliveries because of competitive reasons between rail and motor vehicles, but rather because of the natural evolutionary narrowing of the wholesale area. With rates for rail traffic rising it is unprofitable for the wholesaler to ship by rail, when the motor truck can do the job cheaper and faster. Furthermore, the Richmond wholesale area has been so narrowed that rail shipments prove to be extremely burdensome to the wholesaler and to the rail lines.

With the area being as narrow as it now is the trucks of most wholesalers in Richmond can reach the boundary of the area and return in a single day.

As a general statement, it may be said, that the early development of Richmond's wholesale area owed its vast expanse to transportation facilities. Transportation facilities in themselves were not responsible for

the narrowing of Richmond's wholesale area. The narrowing of the area came about as a result of changes in the rate structure which had in the past been so favorable to Richmond.

So as to carry the story of rate changes to its ultimate conclusion, it would be proper to consider two more Interstate Commerce Commission Dockets, these being 28300, the Glass Rate Investigation of 1939, and 28310 Consolidated Freight Classification of 1945.<sup>15</sup>

In these two cases the Commission states, "Beginning with the year 1887, and continuing to the present time, we have endeavored to promote the unification of freight classification throughout the country."<sup>16</sup> This uniform classification refers to all rail, all water, and rail-water rates. The commission further states, "The fact that a uniform classification would be a convenience is a consideration of relatively minor importance. We have advocated uniformity because it is an essential part in the general scheme which contemplates greater consistency in rate making and elimination of discrimination and inequalities."<sup>17</sup>

By way of explaining the uniform classification, as desired by the Commission, all items would be classified, and once classified, that classification will hold throughout the country.<sup>18</sup>

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15. Interstate Commerce Commission Docket Number 28300 and 28310.  
p. 1.

16. Ibid. p. 12.

17. Ibid. p. 14.

18. Ibid. p. 18.

This means essentially the man who is closest is in the best position. For example, if Richmond alone produced tin, then the areas closest to Richmond would enjoy the product cheaper than the areas more distant.

This ultimately would eliminate competition among wholesalers in areas, such as Richmond in North Carolina. Such a situation would not be entirely new, because of commission decisions which have almost already established the uniform classification. For example, if Baltimore and Richmond both distribute canned beans, (between the two cities) they both have to use the Official rate for canned beans, which means they can ship exactly half-way. At this halfway point their rates would be equal. The same situation holds true between Richmond and Raleigh, except both cities would be using southern rates.

The uniform classification would be based upon the Official classification,<sup>19</sup> which would be acceptable to most southern groups, notably the governors who intervened in the case.<sup>20</sup>

Although the uniform classification is not yet complete, the end has been approximated by an increase in Official rate by 10% and a decrease in Southern rates by 10%.<sup>21</sup>

The overall significance of the Interstate Commerce Commission decision is that wholesaling areas can be assured that the Commission has de-

19. Ibid. p. 278.

20. Ibid. p. 193.

21. Ibid. p. 2. of the Commission Order.

viated from the old practice of establishing rates such as those which permitted Richmond wholesalers to compete in markets several hundred miles away, which geographically belong to other cities.

Some Richmond wholesalers who have their trading area designated by the manufacturer of the goods they handle still have part of eastern North Carolina as their territory. They have this area because of the lack of good transportation facilities flowing east and west within North Carolina.

The author is convinced, however, that the Richmond wholesalers in this area will before long not be serving there. The distribution of such goods will go to such cities as Durham and Raleigh. Under the uniform classification system, as is now in process, it is difficult to see why the manufacturer would desire to have his goods moving carload, stop in Richmond for less-carload distribution into the Raleigh-Durham, or eastern Carolina area. Particularly when freight rates by rail have made it almost prohibitive to ship less-carload continuously. Such wholesalers as brokers may well maintain this area, because they usually ship in carload lots, but as far as the full service wholesalers maintaining this area is concerned, it is highly doubtful that they can.

It appears that Richmond wholesalers now have their area rather well defined, as it exists today it will probably remain, or at least not grow larger.

As the various transportation facilities came about, were improved and expanded, so was Richmond's wholesale area expanded. Around the turn of the century this area was at its peak in mileage served. In 1920, much of South Carolina and points south were lost. In 1927, all of South Carolina and parts of North Carolina were removed from the grasp of the Richmond jobber. Finally, in 1935 practically all of North Carolina and a good portion of Virginia became the wholesale areas of cities other than Richmond. At this last date the rail lines ceased to be the prime mover of goods from the wholesaler to the retailer. This task being given over by the motor truck.

Thus transportation has played its role in Effecting Richmond as a Wholesale Center.

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