the American Cotton Manufacturers' Association indicate that mills located at Birmingham, Alabama; Macon and Atlanta, Georgia; Greenville, South Carolina; and Charlotte and Greensboro, North Carolina, must pay somewhat higher transportation costs on Texas cotton and somewhat lower costs on Oklahoma, Arkansas and Mississippi cotton, than the costs indicated above of shipping this cotton to New Bedford, Massachusetts.[215/] Weighing together the disadvantage to some southern mills in purchasing Texas cotton with compensating advantages to these mills in purchasing cotton from other regions, I find that as a whole transportation costs upon raw cotton run in favor of the mills located in cotton growing states.[216/]

215/ American Cotton Manufacturers' Association's Exhibit No. 12.

216/ No extensive contention was made that differences in transportation costs of mill supplies would affect appreciably production costs and competitive conditions. On certain supplies from the North, the southern mills pay higher freight charges. (R. 2088, 2146-2147). But other supplies are sold to northern and southern mills at standard prices or else are shipped f.o.b. from northern and southern shipping points (American Cotton Manufacturers' Association's Exhibit No. 22). The record does not show that the slight disadvantage of southern mills in this respect erases their advantage with respect to raw cotton.

3. Transportation Costs on Cotton Textile Products

Witnesses at the hearing conceded that freight rates from northeastern mills to New York City and other northeastern markets are lower than the rates from the southern mills to these markets. One exhibit offered by the American Cotton Manufacturers' Association showed average freight rates on 100-pound shipments of finished cotton fabrics to New York City to be 34.2 cents from 50 representative northeastern points and 85.2 cents from 50 representative southern points. 217/ Experts for the National Association of Cotton Manufacturers contended that the average difference between northern and southern shipments to New York City is less than these figures indicate. They pointed out that the southern rates upon which this average is computed include the cost of delivery to the consignee while the northern rates used in the same calculation for the most part do not include this cost. 218/ Pick-up and delivery charges paid by northern manufacturers on shipments to New York City may run as high as 15 cents per hundred pounds. 219/ There still remains, however, a considerable freight rate advantage to the northern mills in shipping goods to New York City. Chicago was shown to be the next largest consumer market and almost as important as

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217/ American Cotton Manufacturers' Exhibit No. 8.

218/ R. 528-529, 539-540, 543-544.

219/ Ibid.

New York.[220] Freight rates on shipments to Chicago from northeastern and southeastern mills are, according to practically all the testimony, on a parity, except that northeastern mills may have a slightly lower rate for a short season of each year due to the availability of a rail-water route through the Great Lakes.[221] Similarly points on the west coast are reached by southern and northern mills at practically equal cost, though on this issue the record contains some conflict.[222] On shipments to most of the Middle West, South, and Southeast, the bulk of the evidence indicates that freight rates favor southern and southeastern mills.[223] An expert for the northern group testified that among all states with a

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220/ National Association of Cotton Manufacturers' Exhibit No. 26.

221/ National Association of Cotton Manufacturers' Exhibit No. 25 and American Cotton Manufacturers Association's Exhibit No. 9.

222/ National Association of Cotton Manufacturers' Exhibit No. 25 and American Cotton Manufacturers' Association Exhibit No. 17. The different conclusions dictated by those two exhibits relative to trasnportation costs to the west coast may be to some extent due to selection of different points of departure. However, it is noteworthy that the National Association's exhibit states that the lowest rate from Danville to Los Angeles, San Francisco and Seattle is $1.35 per hundred pounds; while the American Association's exhibit quotes a rate of $1.60 from Danville to Los Angeles, $1.40 to San Francisco, and $1.41 to Seattle.

223/ National Association of Cotton Manufacturers' Exhibits No. 25 and 33; American Cotton Manufacturers' Exhibits No. 10 and 17. Much testimony was offered to show that transportation costs might be lower than those cited in these rate schedules either by truck, by water or by virtue of special commodity rates. I find, however, that these advantages are not peculiar to any particular region and hence that the rates cited serve as a reasonably accurate statement of relative costs between different points of destination and origin.

population of over 1,000,000 the southern mills enjoy freight rate advantages on shipments into Texas, Missouri, North Carolina, Georgia, Alabama, Tennessee, Kentucky, Iowa, Virginia, Oklahoma, Louisiana, Mississippi, Kansas, Arkansas, South Carolina, Florida, Nebraska, Colorado, Illinois and West Virginia.[224/] Markets in Illinois and West Virginia, however, may be reached by northern mills at a rate no higher, and in some instances lower, than that paid by southern manufacturers.[225/] I conclude, therefore, that Illinois and West Virginia are more accurately listed as states which may be reached by northern and southern manufacturers at equal freight rates. This same approximate parity exists in Ohio, Indiana, Wisconsin and Minnesota. Thus, a line of neutral territory runs from Virginia through West Virginia, Ohio, Indiana, Illinois, Wisconsin to Minnesota.[226/] Northern mills have a freight rate advantage in shipping to markets north and east of this neutral territory, the southern mills have an advantage shipping to points south and west, except that the west coast is again neutral territory.

Experts representing the southern mills testified that, taking as points of destination the larger cities throughout the entire

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224/ R. 576-577. See also National Association of Cotton Manufacturers' Exhibit No. 29.

225/ See footnote No. 223 above.

226/ See footnote No. 223 above. Also for illustration see the map Exhibit No. 30 of the National Association of Cotton Manufacturers.

country, the average transportation cost from southern mills to these points is 13 percent higher than the cost from northern mills. This conclusion is based upon a tabulation of textile freight rates via lowest rated routes from six southern textile centers and six northern textile centers to all cities (totaling 93) in the United States with a population of 100,000 or greater.[227/] Another study shows that the transportation cost via all rail routes from Atlanta and from Boston to 283 principal cities east of the Mississippi is on an average 23.6 cents less per houndred pounds from Boston than from Atlanta.[228/] These estimates were offered to show that the southern mills suffer an average transportation cost disadvantage on a nation-wide basis. Without determining the accuracy of the estimates, which was disputed, the resulting average nation-wide transportation cost from northern and southern shipping points is not in itself evidence that the southern mills suffer a nation-wide competitive disadvantage in the industry as a result of transportation cost. These average cost figures are not inconsistent with our earlier findings regarding those territories into which the southern and northern mills are able to ship advantageously or upon an approximately equal basis. Instead, the rates cited in these studies themselves support our earlier conclusion that there are areas into which southern mills can ship advantageously and areas into which northern mills can ship advantageously. It remains to determine whether or not

227/ American Cotton Manufacturers Association's Exhibit No. 17.

228/ American Cotton Manufacturers Association's Exhibit No. 10.

and to what extent these transportation cost advantages affect competitive relations between northern and southern mills.

These studies show that a larger number of big cities are located in territories in which northern mills have a transportation cost advantage than in the territories in which southern mills have the advantage. The first of these studies shows 37 cities with a population of over 100,000 located in northern territory, 28 in southern, and the remaining 28 in neutral territory.229/ With regard to the so-called "principal cities" east of the Mississippi, the other study locates 150 in northern territory, 52 in southern territory, and 81 in neutral territory.230/ On the other hand, the record shows that total population is somewhat greater in the territory favoring southern mills than in northern territory.231/ Concentration of large cities in northern territory is not an accurate measure of a northern competitive advantage in transportation costs because only in so far as these points are the principal markets and the northern and southern mills are actually competing for these markets are competitive conditions among these mills affected by transportation costs to these points.

In addition, the high transportation cost borne by southern mills shipping to northern markets does not always place the southern shipper at a competitive disadvantage. For instance, northern finishing plants rely in very large measure upon southern mills for their grey

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229/ See footnote No. 58 above.

230/ See footnote No. 228.

231/ National Association of Cotton Manufacturers' Exhibit No. 29.

goods.[232] The high transportation cost involved in shipping grey goods from southern manufacturers to northern finishers has caused complaints by the northerners.[233] Northern finishing plants, relying of necessity upon southern grey goods, have claimed that they are placed at a competitive disadvantage because southern finishing plants secure their grey goods more cheaply from nearby southern mills. Apparently in this instance the high south to north rates work to the disadvantage of the northern mills.

This competitive situation between these finishing plants was made the subject of rate studies by representatives of both the northern and southern groups.[234] These studies illustrate vividly the error of contrasting transportation costs without careful regard for actual competitive relationships in the industry. One study establishes a transportation cost advantage of 46 percent favoring the northern finishing plant. The other establishes a slight southern advantage. The sharp contrast between these two conclusions results because the first includes among its points of origin for grey goods five mill towns in northern territory and one in neutral territory. The second limits its points of origin to southern states. Thus, the first assumes that the northern finishing plant has available grey goods manufactured in northern territory. But if such grey goods were available, northern finishing plants would not be contending that

232/ Industry Committee No. 1 Exhibit 8(a), pp. 754-757.

233/ Ibid.

234/ National Association of Cotton Manufacturers' Exhibit No. 31 and American Cotton Manufacturers Association's Exhibit No. 13; R. 2085.

they were prejudiced by high inter-territorial rates on southern grey goods. In fact, it is abundantly clear from the record that northern manufacturers of grey goods are by no means able to supply the needs of northern finishing plants.[235] The second study, therefore, represents more accurately the dominant competitive situation - namely, a condition in which northern finishing plants are competing with southern finishing plants for southern grey goods and in which a slight competitive disadvantage may fall upon the northern finishing plant because of the high cost of transportation into the northern territory.

There is plentiful evidence that a very substantial portion of the shipments of southern textiles into northern territory are destined for use in northern textile mills.[236] In 1934 southern mills produced approximately 90 percent of the total yardage of grey print cloth in the United States and in 1937 produced 75 percent of the total value of cotton yarns in the United States.[237] With respect to that portion of southern yarn and grey goods shipped into northern territory, high transportation costs often affect adversely the competitive position in the industry of the northern weaving and finishing mills and not of the southern yarn and grey goods mills.

There is also evidence that southern textile mills produce certain textile products, particularly coarser goods, not manufactured by northern mills. High transportation costs in shipping these goods

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235/ See footnote No. 232.

236/ Committee's Exhibit 8(a), pp. 700 and 754.

237/ Industry Committee No. 1 Exhibit No. 9, p. 11 and Committee Group of Small Textile Mills Exhibit No. 29.

to northern markets will not benefit northern mills and will not affect competitive relations in the industry. In fact, J. E. Serrine, who appeared in opposition to the recommendation, stated that the minimum did not create a North-South problem because the manufacturers do not compete in the same lines of goods.[238/]

Furthermore, southern mills have transportation cost advantages over northern mills with respect to those portions of their product competing with the product of northern mills in territory outside of the northern territory. Without considering the transportation cost advantages found on inbound raw cotton, southern mills have a transportation cost advantage shipping to southern states and, according to one estimate, distribute 20 percent of their production in these states.[239/] Southern mills also have a similar transportation cost advantage in shipping to many of the large industrial centers of the middle west.[240/] Then, in addition if there is included the transportation cost advantage to southern mills on raw cotton, southern mills have also a transportation cost advantage in shipping to territory which was found to be neutral from the point of view of outbound shipments alone. These neutral states contain large retail as well as industrial areas. Taking these advantages together, I conclude that the southern mills have transportation cost advantages which approximately balance the disadvantage such mills suffer in the northern territory.

238/ R. 2169-2170.

239/ R. 575.

240/ See footnote No. 226.

Furthermore, assuming that some transportation cost disadvantages do accrue to southern mills, these cost disadvantages will, at the outside, amount to only a small percentage of the value of the product. The record contains several estimates of the ratio which the value of the product bears both to total transportation costs and to differences in transportation costs of northern and southern mills.[241] In view of these estimates, I conclude that such differences in transportation costs as may exist, cannot appreciably affect competitive conditions between definable geographic regions.

4. Transportation Costs of Southwestern Mills.

Representatives of mills located in the southwest urged that transportation costs are a factor which make a classification in their favor necessary.[242] This contention is answered by rate schedules offered by both southern and northern representatives.[243] These schedules show that the Southwest is on a transportation cost parity with both southern and northern mills for such important markets as Chicago and the industrial areas of Ohio and Indiana. For instance, these southwestern mills have lower freight rates in shipping to the midwestern and south central area as well as lower rates in securing raw cotton. Southwestern cotton mills employ approximately 4700 employees and account for only $1\frac{1}{4}$ percent of the value of the total cotton textile production in the United States.[244]

241/ Industry Committee's Exhibit No. 9, at p. 5 ff and R. 2115 ff.

242/ R. 1621, 2729-2731.

243/ See footnote No. 29

244/ R. 33

The market available to these mills at either a transportation cost advantage or parity consumes a far larger portion of the country's textile products. I find, therefore, that the transportation costs which must be undertaken by these southwestern mills do not affect competitive conditions within this southwest region so as to require a minimum wage classification.

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I find that any advantages which the North may have with respect to the cost of transporting textile products is balanced by advantages to southern mills on inbound cotton. I conclude, therefore, that transportation costs are not a factor which will affect competitive conditions between any definable groups or regions in the textile industry to such an extent as to afford a basis for a classification in accordance with provisions of Section 8(c).

C. Production Costs.

Charles A. Cannon stated that he thought there was a much larger percentage of obsolescent machinery in the East than in the South since the industry is newer in the South.245/ Studies made by the Textile Workers Union of America confirm this view. Their general conclusion was that textile mills in the South are of more recent construction and contain more modern machinery than mills in the North. Loom manufacturers reported that 25.32 percent of the looms in the South were less than 10 years old while the North had only 15.9 percent of looms in this age category.246/

There also was general agreement that Southern workers are as efficient as workers in the North.247/

Furthermore, the tax burden appears to be greater in the North than in the South. Census figures show the following per-capita tax rates for selected Southern and Northern States:248/

245/ R. 1579.

246/ R. 1200.

247/ R. 176, 327, 444, 503, 1807, 2190-1. Professor Gus W. Dyer, Professor of Economics at Vanderbilt University and a witness for the American Association of Cotton Manufacturers states, however, that there is a difference between the skilled labor of New England and the untrained country town worker of the South. R. 1972.

248/ R. 1814.

State	Per Capita Tax Rate
Alabama	$17.50
North Carolina	26.90
Mississippi	20.16
Massachusetts	31.59
Maine	34.52
Rhode Island	32.24

Although these differences can be explained, as suggested, by differences in per capita wealth the fact remains that the Northern mill will be subjected to a greater dollar cost on the average for taxes. The per capita tax in Birmingham, Alabama, a city of 257,000 population is $22.76 in contrast to the per capita tax rate of $53.03 in New Bedford, Massachusetts, a city of 112,000.[249/]

It would also appear that power costs and construction costs are less in the South than in the North.[250/]

Paul E. Crocker, Vice President and Controller of the Pepperell Manufacturing Company, who appeared pursuant to subpoena, testified that a cost analysis showed that the Southern mills owned by this company would retain their cost advantage over the Northern mills after the adoption of the minimum wage rate.[251/] Similar testimony with respect to the Southern and Northern branches of the Pacific mills was given by Dwight B. Billings, the Comptroller of the Company.[252/]

249/ R. 1815 American Association of Cotton Manufacturers, Exhibit No. 10.

250/ R. 328 and see R. 1816. National Association of Cotton Manufacturers Exhibit No. 6, R. 2799.

251/ R. 476.

252/ R. 507.

The comparative table of profits and losses for the Southern and Northern branches of the cotton textile industry set out above shows that the South is not at a competitive disadvantage with the North. It may also be noted that this relationship persisted during the period of minimum wage regulation inaugurated by the NRA. In view of these facts, therefore, it appears that the South has production cost advantages in some respects and is in at least a position of equality.

In the consideration of production costs as a basis for classification it would appear that a higher average wage rate structure in an area is not a justification for a lower-wage differential in favor of that area. The Act does not contemplate that the Administrator shall use his power to issue minimum wage orders for the purpose of depressing wage rates in order to equalize competitive conditions.

However, where a claim is made that a minimum wage recommendation will place an area at a competitive disadvantage it is permissible to give complete consideration to competitive relationships including comparative labor costs.

In this proceeding it has been shown that the average wage rate in the North will be 6.4 cents higher than the South even if the $32\frac{1}{2}$-cent minimum wage recommendation is adopted. The South will therefore have an average labor cost advantage over the North of 16.7 percent. It has also been shown that the Northern section of the cotton textile industry is well unionized and that the prevailing minima established in agreements between the unions and the employers is 34.4 cents.[253/] The South will, therefore, have a differential in minimum wages of 1.9 cents.

I conclude, therefore, that the South is at least in a position of equality with the North as far as production costs are concerned and that with respect to production, transportation and living costs considered together there is also substantial equality between the regions. I find, too, that competitive conditions as affected by transportation, living and production costs do not justify a differential in minimum wage rates.

253/ R. 677

D. Collective Labor Agreements and Voluntary Wage Standards.

Representatives of the United Textile Workers of America testified that the collective labor agreements concluded by their Union in the South do not specify minima lower than $32\frac{1}{2}$ cents an hour.[254/] The total number of collective labor agreements in the southern branch of the industry is small. Although there was no evidence on prevailing minima or average rates in all southern collective labor agreements, it would seem clear that the existence of lower rates would not require the establishment of a lower classification since, as has been stated in Congressional debates, the Act is intended to operate in fields where collective bargaining is not effective. I conclude, therefore, that collective labor agreement wage rates do not require the establishment of a classification for the South below the minimum wage recommendation of Industry Committee No. 1 under the terms of Section 8(c).

I also find that the evidence on wages paid by employers maintaining voluntary minimum wage standards in the industry does not require a classification for the southern division of the cotton textile industry.

254/ R. 1144, 1128.

E. The Southwestern Freight Area

It has been shown previously that transportation costs do not affect competitive conditions in the southwestern area so as to require a classification under Section 8(c) of the Act. I also find that the evidence on other factors bearing on whether a classification should be made for the south is applicable to the southwestern area and that no classification for this area is required under Section 8(c) of the Act.

Furthermore, the manufacturers in this area employ only 1.23 percent of the wage earners in the cotton textile industry and account for 1.16 percent of the value of the product. The small proportion of the industry represented by this area when considered together with the evidence in the record on the relationship of this area to the South as a whole leads me to conclude that there is no basis upon which a reasonably definable classification could be made for the cotton textile manufacturers of the southwest under the terms of 8(c) of the Act.

F. Conclusions as to Cotton Textiles

Considering transportation, living and production costs together with the evidence on collective labor agreements and voluntary wage standards, I find that those costs do not differ between any reasonably definable groups or regions within the cotton textile industry so as to affect competitive conditions within the industry or make necessary a classification within the meaning of Section 8(c) of the Act.[255]

Furthermore, in view of the weight of the evidence against the necessity for classification on the basis of factors expressly recited in the Act, it appears that other factors which may have a possible relationship to the determination of the question would not require a materially different conclusion and that Section 8(c) of the Act does not require either the Committee or the Administrator to examine such factors minutely. In addition, therefore, I conclude that the record developed at the hearing before me has conclusively established that all the provisions of Section 8(c) which relate to necessity for a classification have been satisfied by the Committee's recommendation of a uniform minimum wage rate.

255/ Cotton Waste Processing The evidence on the scope of the definition demonstrates that the processing of cotton textile waste is a part of the cotton textile industry. It also appears that any unemployment which may occur in this business will not cause substantial dislocation of employment in the cotton textile industry (R. 2528) and that taking account of the production of purchased cotton waste in the north (R. 2538, 2540) and processing operations conducted in integrated mills (R. 2538, 2539) there will be no substantial curtailment of employment in the cotton waste processing business.

I find, too, that there is no basis upon which a reasonably definable classification can be made under Section 8(c) of the Act for processors of purchased cotton waste.

G. Classification in Divisions of Textile Industry Other Than Cotton

As has been demonstrated earlier, the divisions of the textile industry other than cotton have for the most part a higher wage structure than cotton and will be subject to a much lesser degree of adjustment from the minimum wage recommendation. The evidence which has just been reviewed on the question of regional competitive conditions in the cotton division of the industry is for the most part relevant to the question of competitive conditions in the other branches of the textile industry. On the basis of this evidence and of the evidence set forth to show that there will be no substantial curtailment of employment in these branches, I find that no classifications within these branches are required or justified under the Act.

VIII. REQUIREMENT THAT NOTICE OF THE WAGE ORDER BE POSTED IN TEXTILE MILLS

Section 8(f) of the Act provides that wage orders issued under Section 8 "shall define the industries and classifications therein to which they are to apply, and shall contain such terms and conditions as the Administrator finds necessary to carry out the purposes of such orders, to prevent the circumvention and evasion thereof, and to safeguard the minimum wage rates established therein."

To assure immediate and complete enforcement of the wage order issued in this proceeding, I find it necessary that a notice of the order in a form supplied by the Wage and Hour Division be posted and kept posted in a conspicuous place in every mill employing any employees who are subject to the provisions of the wage order.

IX. CONCLUSION

Upon reviewing all the evidence adduced in this proceeding and giving consideration to the provisions of the Act, with special reference to Sections 5 and 8, I conclude that the Industry Committee's recommendations for the textile industry, as defined in Administrative Order No. 25 are made in accordance with law, are supported by the evidence adduced at the hearing and, taking into consideration the same factors as are required to be considered by the Industry Committee, will carry out the purposes of Section 8 of the Act.

The wage order issued pursuant to this opinion shall become effective on October 24, 1939.

Signed at Washington, D. C., this 29th day of September, 1939.

Elmer F. Andrews

Elmer F. Andrews, Administrator
Wage and Hour Division
United States Department of Labor