

New York Vs. United States

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Decided On : Feb-27-1922

Appeal No. : 257 U.S. 591

Appellant : New York

Respondent : United States

Judgement :

New York v. United States - 257 U.S. 591 (1922)

U.S. Supreme Court New York v. United States, 257 U.S. 591 (1922)

New York v. United States

No. 283

Argued October 19, 20, 1921

Decided February 27, 1922

257 U.S. 591

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES

FOR THE NORTHERN DISTRICT OF NEW YORK

SYLLABUS

1. Absence of any substantial evidence to sustain a finding of the Interstate Commerce Commission material to an order adjusting rates may be relied on in a suit directly attacking the order to

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which the United States and the Commission are made parties. P. [257 U. S. 600](#)

2. Evidence found insufficient to sustain an order for a general increase of state passenger, baggage, and milk rate as prejudicial to persons and localities in interstate commerce, under 416 (13, paragraph 4) of the Transportation Act of 1920. P. [257 U. S. 600](#) . Cf. *Railroad Commission of Wisconsin v. Chicago, Burlington & Quincy R. Co.*, ante, [257 U. S. 563](#) .

3. Interference with a charter fare-limiting contract between a railroad and a state is not a taking of the property of the state or its people without due process of law when done under the power of Congress to regulate interstate commerce, nor does the contract clause of the Constitution forbid. P. [257 U. S. 600](#) .

4. Intrastate rates so low that they discriminate against interstate commerce, within the meaning of the Transportation Act of 1920, may constitutionally be increased thereunder by the Interstate Commerce Commission to conform with like rates in interstate commerce fixed by it pursuant to the act. P. [257 U. S. 601](#) . *Railroad Commission of Wisconsin v. Chicago, Burlington & Quincy R. Co.*, ante, [257 U. S. 563](#) .

272 F. 758 affirmed.

Appeal from a decree of the district court dismissing a bill brought by appellants against the United States and the Interstate Commerce Commission to annul an order of the latter authorizing an increase of intrastate railroad rates. Various carriers intervened and became appellees.

MR. CHIEF JUSTICE TAFT delivered the opinion of the Court.

This was a bill in equity against the United States and the Interstate Commerce Commission and others brought by the New York and its Attorney General to annul and enjoin the enforcement of an order of the Interstate Commerce Commission requiring the interstate railroads operating in intrastate commerce in the New York to charge in such commerce 3.6 cents a mile for all passengers, twenty percent increase over the then excess baggage rates to intrastate passengers, a surcharge of fifty percent of the charges for space in sleeping cars

to such passengers, and twenty percent increase in intrastate rates on milk, all for the purpose of bringing the intrastate rates to the level of the interstate rates previously fixed by the Commission. The bill was filed under and by virtue of the statute repealing the Commerce Court Act and conferring jurisdiction on the district court. 38 Stat. 219. The application for an interlocutory injunction was heard by a circuit judge and two district judges. Then a final hearing was had, and the court entered a final decree dismissing the complaint, from which this appeal has been taken. The railroad companies affected by the order were on their petition permitted to intervene, and are here as appellees.

It appears from the record that, in the proceeding by the Interstate Commerce Commission to fix interstate commerce rates to comply with the requirements of 15a of the Interstate Commerce Act, as added by 422 of the Transportation Act of 1920, 41 Stat. 488 -- a proceeding known as *Ex parte 74, Increased Rates*, 58 I.C.C. 220 -- the Commission, after conference with a committee representing all the state commerce commissions and authorities authorized the group of intrastate railroads, of which the railroads operating in New York were a part, to raise their freight rates forty percent, their passenger rates and excess baggage charges twenty percent, and to add a surcharge of fifty percent for passengers on sleeping cars. As soon as the order in *Ex parte 74* was made, the railroads

concerned applied to the Public Service Commission of the New York for similar increases in intrastate rates. That Commission granted the increase in freight rates, but denied it as to milk rates and passenger fares. The passenger intrastate fares were three cents a mile under the order of the President during the war control, but when that should become ineffective, a statute of New York fixing passenger fares on the New York Central Railroad from Albany to Buffalo at two

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cents a mile would come into force and operation. As soon as the state commission made its ruling, the railroads applied to the Interstate Commerce Commission under 13 of the act of which proceeding notice was given to the State of New York, the Attorney General, and the Public Service Commission, all of whom appeared, for an order directing the railroads to put intrastate passenger fares, excess baggage charges, sleeping car surtaxes, and milk rates on the same level with interstate rates. Proof was offered by the railways to show that conditions of operation in state and interstate passenger traffic were alike, and there was no showing otherwise. The record in Ex parte 74 was put in evidence. There was evidence also to show that, at Buffalo and other border points, the difference between the interstate and intrastate fares would divert business from the interstate lines between New York City and Buffalo to the New York Central lines, and that the same difference would break up interstate journeys to the west into intrastate journeys to Buffalo from New York and an interstate journey beyond, thus reducing interstate travel and discriminating against passengers carried therein. Evidence was adduced to show the injury to interstate business in the transportation of milk from the country to New York City from points outside of the state in competition with intrastate traffic in this necessity of life. No investigation was made into suburban commuter travel, and it is excluded by the Commission from the scope of the order which it made. The order was statewide in its effect, and required all interstate carriers to bring their intrastate milk rates, their intrastate passenger fares except commuters' rates, excess baggage charges, and sleeping car surcharges to a level with interstate fares and rates as ordered in Ex parte 74. The Commission introduced a saving clause in its findings by which the New York

authorities or any other interested parties were given leave to apply for modification of its order or

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findings as to any intrastate fares, charges or rates included therein on the ground that the latter were not related to interstate fares, charges or rates in such a way as to contravene the provisions of the Interstate Commerce Act. Under this clause, at least one petition has been filed by a railroad, and the railroad excepted from the order.

The district court dismissed the bill.

This case differs from the *Wisconsin Rate Case*, ante, [257 U. S. 563](#) , in that it is a direct proceeding to annul or set aside the order of the Interstate Commerce Commission complained of, brought against the United States and the Commission under the statute. *Skinner & Eddy Corp. v. United States*, [249 U. S. 557](#) . The *Wisconsin Rate Case* was a suit by a railroad against the state authorities to prevent the latter from penalizing the railroad for complying with the order of the Commission. To this suit the United States and the Commission were not parties. The defense of the state authorities was a collateral attack upon the order, to prevail in which they were obliged to show that the order was void on the face of the findings, without regard to the evidence or the absence of it. In the case before us, the complainants are entitled to rely on the absence of any substantial evidence to sustain a material finding as a basis for attacking the order.

The first objection of the appellants is that there was no sufficient evidence of discrimination against persons and localities under 13, par. 4, 416, of the Transportation Act of 1920, to justify a statewide order of the kind here made. We have considered this objection in the *Wisconsin Rate Case* on a similar showing on the findings. Here, we consider it on the evidence. We reach the same conclusion here, and sustain the objection.

The next objection is that the state has a charter contract with the New York Central Railroad Company by

which the latter is bound not to charge more than two cents a mile for passenger carriage between Albany and Buffalo, and that, if the Transportation Act permits the Interstate Commerce Commission by such an order to enable the railroad company to violate its contract, it impairs the obligation of a contract in violation of 10, Article I, of the federal Constitution. That section provides that "no state shall . . . pass a law . . . impairing the obligation of contracts," and does not in terms restrict Congress or the United States.

But it is said that it deprives New York and her people of property without due process of law. We said in *Addyston Pipe & Steel Co. v. United States*, [175 U. S. 211](#) , [175 U. S. 230](#) :

"Anything which directly obstructs and thus regulates that commerce which is carried on among the states, whether it is state legislation or private contracts between individuals or corporations, should be subject to the power of Congress in the regulation of that commerce."

Louisville & Nashville R. Co. v. Mottley, [219 U. S. 467](#) . See also *Scranton v. Wheeler*, [179 U. S. 141](#) , [179 U. S. 162](#) -163; *Union Bridge Co. v. United States*, [204 U. S. 364](#) , [204 U. S. 400](#) .

The main objections to the order are the same as those presented, considered, and overruled in the *Wisconsin Rate Case*, just decided. The evidence in this case shows that, if the passenger and other rates here in controversy were to continue in force as ruled by the Public Service Commission of New York, the annual gross revenues of the interstate railroads operating in the State of New York from both interstate and intrastate passenger and milk business would be less by nearly twelve millions of dollars than those revenues if the intrastate fares and rates were on the same level as the interstate rates as fixed by the Interstate Commerce Commission. If the lower level of intrastate fares and rates is to be maintained, it will discriminate against interstate commerce in that it will require higher fares and rates in the interstate commerce of

the state to secure the income of which the Interstate Commerce Commission must attempt to provide by fixing rates under 15a of the Interstate Commerce Act as amended by 422 of the Transportation Act of 1920, 41 Stat. 456, 488, in carrying out the declared congressional purpose "to provide the people of the United States with adequate transportation." As we have just held in the *Wisconsin Rate Case*, this constitutes "undue, unreasonable, and unjust discrimination against interstate commerce," which is declared to be unlawful and prohibited by 13, par. 4, of the Interstate Commerce Act, as amended by 416 of the Transportation Act of 1920, 41 Stat. 456, 484, and which the Interstate Commerce Commission is authorized therein to remove by fixing intrastate rates for the purpose. We need not repeat our reasons for our ruling. Nor need we consider and give again the grounds upon which we hold 13, par. 4, as thus construed, to be valid under the Constitution of the United States.

The decree of the district court dismissing the bill of complaint is

Affirmed.