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CURRENT SUPPORT BRIEF

TRANSPORTATION TARIFF REVISIONS

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TRANSPORTATION TARIFF REVISIONS

Several major revisions of transportation tariffs are planned to accompany the general overhaul of wholesale prices which was announced recently. 1/ The new rates--to be introduced generally by the beginning of 1963--are intended by the Soviets to influence the development of the transportation system in a manner consistent with long-range objectives. 2/ The effectiveness of the revisions will be reduced by such factors as production and inventory requirements. In the past, the shippers pressing need to meet output goals has often been a more important consideration than the rate structure in determining the mode of transportation used.

Railroad freight rates are to be reduced by about 20 percent. 3/ Initially, the new rates will considerably lower the industry's profitability which has been increasing rapidly for several years as a result of steady decreases in operating costs and no offsetting rate reductions. Since 1955 operating costs per ton-kilometer have decreased 22 percent and last year profits represented nearly one-half of total revenue. 4/ On the average the reductions are to be greater for manufactured goods than for raw materials, reflecting the intention of Soviet planners to encourage the movement of manufactured goods and to reduce the traditional discrimination against this form of freight. 5/ Adjustments will also be made in the rates per kilometer which vary according to distance and commodity and which have had the effect of inhibiting the movement of some traffic beyond certain distances.

Percentage decreases in the average railroad rates per ton-kilometer have been announced for the following commodities. 6/

Solid Fuels	14.4
Petroleum Products	15.9
(probably includes crude petroleum)	
Chemical Products	36.3
Wood Freights	7.9
Mineral Construction Materials	16.6
Fabricated Construction Materials	27.0
Ores	15.8
Metals	17-48
Fabricated Metals	12.4-42.7
(both Ferrous and non-Ferrous)	
Industrial and Agricultural Machinery	21.2
Automobiles (includes trucks)	40.4
Wire and Cable	72.7
All Consumer goods*	27.1
of which:	
Grain, Bread and Flour	22.3
Dairy and Meat Products	8.1
Eggs	23.1
Vegetable Oil	24.2
Products of Industry	36.3

Inland water freight rates will be lowered an average of 15-20 percent to stimulate the more efficient hauls. The rates of petroleum will decrease 30 percent and those on rafted timber 20 percent. 7/ As a result of these latter decreases inland water transportation as a whole will again operate at a deficit even though operating costs per ton-kilometer decreased 19 percent from 1955 through 1961. Such a

* There will be a decrease in the rates for clothing, yard goods, footwear and soap which has not been announced.

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reduction would normally be expected to accompany the railroad rate decreases, however, as a necessary inducement to shippers who are reluctant to use the less convenient inland water transport system.

On the first of January 1962 new tariffs were introduced in highway transport designed to stimulate limited distance intercity freight traffic--up to about 200 kilometers. 8/ Less than one percent of highway transport is now intercity in character, the remainder being extremely short haul, mainly local, traffic. The objective of this reform is to relieve the railroads of short hauls, particularly those which are already mixed rail-highway and thus eliminate excessive handling costs.

Air passenger fares already competitive with rail fares over the longer distances are to be decreased 15-20 percent on internal routes "this year". 9/ This change is consistent with the announced policy of limiting rail passenger traffic growth by making air travel attractive over the longer routes and bus travel attractive over shorter routes. Rail passenger fares are being reviewed and some revisions may be announced later. If passenger fares, last reduced somewhat in 1957, are not further reduced passenger operations will have become twice as profitable as freight operations.

5 March 1962

CIA/RR/CB-62-20

Page 3

~~C-O-N-F-I-D-E-N-T-I-A-L~~

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5 March 1962

CIA/RR CB-62-20

Page 4

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