

Decision No. 14794.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the  
Western Pacific Railroad Company for  
authority to cancel rate of 6 cents per  
100 pounds on Grain and Grain Products  
from Stockton only to San Francisco only  
and to publish in lieu thereof rate  
7½ cents per 100 pounds, intermediate in  
application.

APPLICATION NO. 10515

In the Matter of the Application of the  
Southern Pacific Company for authority  
to cancel rate of 6 cents per 100 pounds  
on Grain and Grain Products from Stockton  
only to San Francisco only and to publish  
in lieu thereof rate 7½ cents per 100  
pounds, intermediate in application.

APPLICATION NO. 10516

In the Matter of the Application of the  
Atchison, Topeka & Santa Fe Railway Company  
for authority to cancel rate of 6 cents  
per 100 pounds on Grain and Grain Products  
from Stockton only to San Francisco only  
and to publish in lieu thereof rate  
7½ cents per 100 pounds, intermediate in  
application.

APPLICATION NO. 10517

J.F.Bon, for Applicant, Western Pacific Railroad Company  
J.E.Lyons and H.W.Klein, for Applicant, Southern Pacific Company  
Berne Levy, for Applicant, Atchison, Topeka & Santa Fe Ry. Company  
Seth Mann and S.A.Everstine, by S.A.Everstine, for the  
Protestant, San Francisco Chamber of Commerce  
Edson Abel, for Protestant, California Farm Bureau Federation,  
The San Joaquin County Farm Bureau, and H.W.Smyth and others.  
J.C.Sommers, for the Protestant, Stockton Chamber of Commerce  
C.S.Connolly, for Albers Bros. Milling Company  
M.J.McCarthy, for Sperry Flour Company.

BY THE COMMISSION:

O P I N I O N

These proceedings, involving the same issues, were heard together and will be made the subject of one report.

The applications were filed informally, but correspondence developing the fact that there would be opposition from the interested shippers the proceedings were set for formal action. A hearing was held at Stockton January 27, 1925 before Examiner Geary and the proceedings having been duly submitted are now ready for an opinion and order.

Applicants seek authority, under Section 63 of the Public Utilities Act, for permission to cancel rate of 6 cents per 100 pounds on grain and grain products, non-intermediate in application, from Stockton only to San Francisco only. The rates of the Western Pacific Railroad are published in Tariff 36-F, C.R.C.257, Item No.1240-B; Southern Pacific in Tariff No.793-B, C.R.C.No.2487, Item No.180, and Atchison, Topeka & Santa Fe in Tariff No.11988-D, C.R.C.506, Item 340-A.

It is proposed to publish in lieu of the 6 cent rate, a rate of  $7\frac{1}{2}$  cents, intermediate in application, from Stockton to San Francisco.

Rates will be stated in cents per 100 pounds.

The carriers, in their application, in substance allege that 6 cents is a depressed rate resulting from the rates established many years ago to meet competitive conditions then existing, principally from vessels operating on the inland waters. It has been the general practice of the rail carriers to maintain rates

somewhat higher than those of the water carriers, but sufficiently low to attract to the railroads a part of the tonnage. During the past ten years, however, and mainly because of adjustments during the war period, the rates of the boat transportation companies have been changed a number of times, until today their rate is 7 cents, or 1 cent in excess of the non-intermediate rate now in effect via the routes of the three applicants.

Applicants presented eight exhibits dealing with the history of the grain rates from Stockton to San Francisco, comparisons between the rate now in issue and rates on grain between points within California for approximately the same distance haul, and also the grain rates between selected points in the States of Kansas, Minnesota, Iowa, Arizona and New Mexico. The exhibits, as to the points outside the State of California, in every instance showed rates very much in excess of those for the same mileage haul within California, but there is no complete showing in this record of the operating conditions existing in those States and, therefore, the comparisons are of little value. It will not be necessary to here reproduce the exhibits giving rates in their entirety between California grain shipping points, and reference will only be made to a few situations. The rate proposed from Stockton to San Francisco, 91 miles, of  $7\frac{1}{2}$  cents, produces a per car mile earning of 65.5 cents and a per ton mile earning of 1.6 cents; from Sacramento to San Francisco, where the operating conditions are similar, that is, competition from boat lines, the rate is  $10\frac{1}{2}$  cents for a distance of 88 miles, producing a per car mile earning of 95 cents and per ton mile earning of 2.5 cents; from Marysville to Port Costa the rate is 14 cents for a distance of 91.6 miles; Chico to Sacramento rate is 14 cents for 96.3 miles;

here also water competition influences the rates. In Southern California, where water competition is not a factor, from Rosamond to Los Angeles, 87.5 miles, and from Carpinteria to Los Angeles, 91.7 miles, the rate is  $17\frac{1}{2}$  cents. In Northern California, from other grain producing points to the milling and trans-shipping points, such as San Francisco, Port Costa, Stockton, Sacramento and South Vallejo, the 6 cent rate covers hauls approximating only 50 miles, as contrasted with the 91 mile haul from Stockton to San Francisco.

The three railroads, applicants herein, transport but a very small fraction of the grain tonnage from Stockton to San Francisco, the Southern Pacific Company having handled but 23 carloads in the year 1923, and the Atchison, Topeka & Santa Fe 3 carloads for the first six months of the same year. Applicants assert there is no reason to accord Stockton the rate now in effect; that the same is non-compensatory; also that the  $7\frac{1}{2}$  cent rate proposed is too low for the service performed, but is the best rate that can be established under the existing competitive conditions. It was also shown that while the present rate is 6 cents on intrastate traffic, the rate is 8 cents on interstate traffic, and that the 6 cent rate is used in making combination over Stockton, defeating the through published tariff rates on grain from some few points, especially from stations on the Santa Fe.

Protestants representing the grain producers and the grain buyers directed their opposition, in the main, to the fact that any change in the freight rate would be reflected in the selling price of the grain, which is sold at the quoted San Francisco prices, less the lowest published freight

rate from point of shipment to San Francisco, regardless of the actual transportation service employed by the shippers. In this situation the rate today via rail, intrastate, is 6 cents; interstate 8 cents, and via vessel 7 cents. Therefore, the selling price of grain is based on the 6 cent rate. The actual movement, however, of the controlling grain tonnage, Stockton to San Francisco, is by boat at 7 cents and not by rail at 6 cents; this because of the many accessorial services performed by the boat, such as the loading and unloading of the grain and direct delivery to ocean-going vessels, making the total costs less, notwithstanding the higher transportation rate.

The test of a reasonable rate cannot be measured by the profits or losses of the shipper, for if this element were controlling rates would necessarily increase or decrease in harmony with the selling price of the commodity transported, a method not employed in the making of reasonable freight rates.

It is the right of a carrier in its own interest to meet competitive conditions, but a shipper cannot demand that such competition be made the basis of rates not reasonably compensatory when the carrier in its own behalf does not choose to meet the competition existing in the territory involved. Water competition may be given by the carriers as a justification for rates that are lower than those otherwise reasonable under normal conditions, and it is also a principle in rate making that water-compelled rates are not to be taken as a gauge for reasonable rail rates.

The proposed rate is shown to be reasonable as compared with rates from other grain shipping points in Northern California to San Francisco, Port Costa, South Vallejo, Sacramento and Stockton. The application will be granted.

O R D E R

The petitions of these three applicants having been duly heard and submitted by the parties, full investigation of the matters and things involved having been had, and the Commission having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof;

IT IS HEREBY ORDERED that the petitions of said applicants be and the same are hereby granted.

IT IS HEREBY FURTHER ORDERED that the applicants be authorized to publish a rate of seven and one-half (7½) cents on grain and grain products, intermediate in application, from Stockton to San Francisco, effective on or before May 15, 1925, upon notice to this Commission and to the general public by not less than fifteen (15) days' filing and posting, in the manner prescribed in Section 14(a) of the Public Utilities Act.

Dated at San Francisco, California, this 15<sup>th</sup> day of April, 1925.

*H. A. Brundage*  
*C. Security*

*George D. Squires*  
*Examiner*