

Decision No. 17089

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of ISLAND TRANSPORTATION COMPANY,  
under Section 63 of the Public  
Utilities Act, for authority to  
increase certain rates for the  
transportation of grain.

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) Application No. 11264.  
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Sanborn & Roehl and DeLancey C. Smith,  
for Applicant.

Seth Mann, for San Francisco Chamber of  
Commerce, Protestant.

Edson Abel, for California Farm Bureau  
Federation, Protestant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

In this proceeding Island Transportation Company makes application under Section 63 of the Public Utilities Act for permission to cancel its rate on grain from Stockton to San Francisco and Oakland of \$1.40 per ton, minimum 100 tons, published in Item 20, page 8 of its Tariff C.R.C. No. 5, which will result in the application of the regular rate of \$1.60 per ton, minimum 30 tons, published in the same item.

A public hearing was held before Examiner Austin at San Francisco, when evidence was offered and the matter was duly submitted. The granting of this application was

protested by the California Farm Bureau Federation and the San Francisco Chamber of Commerce. The latter, however, took no active part in the hearing; therefore, the Farm Bureau may be considered as the only protestant, and will be referred to as such.

The record shows that between January 1 and October 31, 1925, applicant handled 58,522 tons of all commodities, and expected during the remainder of the year to handle about 5000 tons additional freight. Since approximately 75 per cent of the total tonnage consisted of grain, applicant handled during the ten months period in question about 44,000 tons of grain. The movement in 100 ton lots under the \$1.40 rate in question has been light, no shipments having been made in 1924, and but 15 shipments in 1925. Had the \$1.60 rate been applied on all the grain handled between Stockton and San Francisco and Oakland under the \$1.40 rates in 1925, the additional revenue would have been but \$525.46, thus indicating that the total movement between these points in 1925 under this rate was 2627.3 tons.

In order to justify the proposed increase, applicant introduced three exhibits showing the revenue derived from the movement of three barge loads of grain from Stockton to San Francisco during June and July, 1925, and the actual cost of handling these shipments. These are fairly representative of other shipments of grain moving in barges and motor boats. The information contained in these exhibits may be thus summarized:--

<u>Grain Tonnage.</u>	<u>Grain Revenue.</u>	<u>Total Expenses of transportation shown in exhibits.</u>	<u>Expenses excluding overhead.</u>
630,186 #	\$ 441.13	\$ 534.88	\$ 364.04
740,613	518.42	503.91	280.31
772,989	541.10	623.17	391.55
<u>2,143,788</u>	<u>\$ 1490.65</u>	<u>\$ 1661.96</u>	<u>1035.90</u>
or	or	or	or
1071.894 tons	\$1.40 per ton	\$1.55 per ton	\$ .96 per ton

In arriving at the cost of \$1.55 per ton, applicant has excluded depreciation and repairs and has included an overhead cost of \$ .5993 per ton, which is based on the following expenses for the period, January 1st to October 31, 1925, inclusive:

Office Salaries - - - - -	\$17,841.60
Office Expenses - - - - -	2,288.79
Insurance - - - - -	5,958.80
Miscellaneous Expenses - - - - -	8,619.63
Legal Expenses - - - - -	<u>362.00</u>
 Total - - - - -	 <u>\$35,070.83</u>

The cost per ton of \$.5993 is derived by dividing the total shown above by the total number of tons carried during this period, viz., 58,522 tons.

Protestants objected to this overhead as being excessive in that it amounted to 33.8 per cent of the gross income of \$103,478.48 received during the same period. (This item is derived by deducting from the total income of \$103,918.76, shown on Exhibit 4, the item of miscellaneous income amounting to \$440.28.) Protestant cited In re Golden Gate Ferry Co., Decision No. 14725 (26 R.R.C. 172-178) and In re Rodeo-Vallejo Ferry Co., Decision No. 14728 (26 R.R.C. 188-196), wherein the Commission criticized the general expenses of these companies as excessive and allowed but a portion of them to be considered in determining reasonable rates for these carriers. Following the Rodeo-Vallejo

case, where the Commission allowed general expenses amounting to 9.7 per cent of the gross revenues, protestant estimates that a reasonable sum to be allowed as general expenses in the instant case should not exceed \$10,037.41 or \$.171 per ton.

As we have stated, applicant has not included any allowance for maintenance of equipment. However, he introduced testimony showing that for the ten months period ending October 31, 1925, this item amounted to \$22,284.04 or 38 cents per ton. Protestant objected to this figure as excessive, citing the Rodeo-Vallejo and Golden Gate Ferry cases, supra, and Southern Pacific Ferry case (In re Southern Pacific Co., Dec. No. 15119, 26 R.R.C., 682), and suggested that a proper amount to be allowed for this purpose should not exceed 4.35 per cent of the value of the operative property, this being the average of the amounts shown in the Rodeo-Vallejo and Golden Gate Ferry cases. Based on applicant's 1924 report to the Commission, protestant has assumed the value of applicant's operative property to be \$338,680., which is less than the value arrived at on the basis of applicant's claimed depreciation of ten per cent, which would result in a valuation of \$457,805. Assuming that a proper maintenance charge should not exceed 4.35 per cent of \$338,680., protestant estimates this item at \$14,732.58 or \$.251 per ton. The total transportation costs which should be charged against this traffic<sup>are</sup> estimated by protestant as follows:

Labor, commissary and fuel - - - -	\$ .94 per ton
General expense - - - - -	.171 " "
Maintenance expenses - - - - -	<u>.251 " "</u>
Total out of pocket cost - - - -	1.362 " "

(The first item of 94 cents is predicated on the assumption that the total allowable income should not exceed \$103,478.48 as ex-

plained above.)

This, as it will be noted, is but 4 cents less than the present rate of \$1.40, which protestant contends under the showing made is reasonable and should be allowed to stand. We are not disposed to accept protestant's method of limiting the general expenses of the applicant to any fixed percentage arrived at in some other case. Each case must necessarily be decided upon its own merits. We cannot assume that there is such a similarity between the facts shown in the Golden Gate and Rodeo-Vallejo Ferry cases and the instant application that any percentage fixed as a maximum in the former cases should necessarily govern us in determining a proper allowance for general expenses in the present case. However, an inspection of the statement of applicant's general expenses convinces us that the item of \$17,841.60 for office salaries is excessive for a transportation business such as that conducted by applicant. We believe that for the purpose of fixing rates there should be allowed no greater sum than \$6000. per year as salaries for the management of this property. At the rate of \$500. per month this would result in a total allowance of \$5000. for the ten month period in question. The difference between this sum and \$17,841.60, or \$12,841.60, should be deducted from the total amount of general expenses claimed by applicant of \$35,070.83, leaving a balance allowable for total general expense of \$22,229.23 or \$.379 per ton.

The item of 38 cents per ton for maintenance has not been shown to be excessive in this case. The decisions cited by protestant deal with substantially differing situations, involving different operating and traffic conditions.

consequently they can afford no criterion of proper maintenance costs to be allowed in a proceeding such as this. As we have stated, each case must stand on its own footing and no general rule can well be established fixing a definite percentage as the limit for proper maintenance charges to be allowed in determining reasonable rates. Under the record in this proceeding we believe that the item of 38 cents per ton for maintenance has not been shown to be excessive.

In view of what we have stated, it appears that the following items are properly allowable as representing the direct out of pocket cost for handling the traffic in question, viz.--

Labor, commissary and fuel - - - -	\$ .96 per ton
General expense - - - - -	.379
Maintenance - - - - -	<u>.38</u>

Total out of pocket cost -- \$1.719

However, the total of \$1.719 is not chargeable entirely against the down-stream traffic. We may fairly infer from the testimony of applicant's managing owner, Captain Benjamin Walters, that approximately 10 per cent of applicant's total traffic moved up-stream. Inasmuch as each commodity should bear its full share of the carrier's operating expenses, it is but fair to hold that the cost of handling this traffic should be credited with its due proportion of the up-stream traffic. Allowing 10 per cent for such traffic, there will be a deduction from the out of pocket costs shown above of \$.171 per ton, leaving a balance of \$1.548 per ton, which will fairly reflect the cost of handling this traffic. This does not include depreciation nor taxes, both of which are substantial items, and it also excludes the transportation charges

for operation of vessels which is also a substantial amount.

The average cost of \$1.548 per ton for handling this traffic exceeds the rate of \$1.40 in question here, and this fact alone would seem to indicate that applicant will be justified in increasing its rates.

It was also shown that during the ten months period ending October 21, 1925, applicant's operations resulted in a deficit of \$80,770.14. It is apparent from this fact, and also from the annual reports for 1923 and 1924, which were introduced in evidence, that applicant has been operating at a substantial loss. This also is a circumstance to be considered in determining this matter.

Applicant introduced certain rate comparisons on grain which may thus be summarized:

<u>From</u>	<u>To</u>	<u>Rate per Ton</u>	<u>Minimum tons</u>
(Port Costa & Vallejo	(San Francisco & Oakland -	\$1.50	30
(San Francisco and Oakland	(Alameda & Berkeley -	\$1.50	30
(San Francisco and Oakland	(Rio Vista (Bird's Landing (Dolan's Landing	\$2.00	20

With reference to the rates between San Francisco and Oakland, and Alameda and Berkeley, it appears that the haul from Stockton to San Francisco is four times as long and twice as expensive. In the last item the landings shown are below Rio Vista and nearer San Francisco than Stockton, but because of bad landings the handling cost is at least 50 cents more per ton to San Francisco than from Stockton. Even deducting this 50 cents from

the \$2.00 rates, the difference will be greater than the rate of \$1.40 in issue here.

Protestant referred to applicant's rate on peas and beans from Stockton to San Francisco and Oakland of \$1.40 per ton, minimum 15 tons, and \$3.00 per ton for shipments under 15 tons. However, due to competitive conditions, this rate is non-intermediate in application. Between Stockton and San Francisco, and intermediate points, the rate on the same commodities is \$2.30 per ton, minimum 15 tons, and \$2.80 per ton for shipments under 15 tons.

Protestant also offered by way of comparison certain rates on grain and mill feed between Stockton and San Francisco published by the Vehmeyer Transportation Company and the Wheeler Transportation Company, both of which are in competition with applicant. It is sufficient to say that there was no showing made of any similarity in the surrounding circumstances and conditions so, therefore, but little weight can be attached to such a showing.

Under the showing made by the applicant we believe that the application should be granted.

Upon full consideration of the evidence, we are of the opinion and hereby find as a fact that the applicant has justified the cancellation of the rate of \$1.40 per ton, minimum 100 tons, on grain between Stockton and San Francisco and Oakland set forth in Item 20, page 8 of its Tariff C.R.C. No. 5, and the application in lieu thereof of the present rate on said traffic between said points of \$1.60 per ton, minimum 30 tons, published in the same item of said tariff.

An order will be entered accordingly.



O R D E R

This application having been duly heard and submitted and full investigation of the matters and things involved having been had and basing this order on the findings of fact and the conclusions contained in the preceding opinion.

IT IS HEREBY ORDERED that the application of Island Transportation Company be and the same is hereby granted and that applicant be and it is hereby authorized, on not less than ten (10) days' notice to the Commission and to the public, to cancel the rate of \$1.40 per ton, minimum 100 tons, for the transportation of grain from Stockton to San Francisco and Oakland, published in Item 20, page 8 of its Tariff C.R.C. No. 5, and to apply on said traffic, in lieu thereof, the present rate now published in said item of said tariff, of \$1.60 per ton, minimum 30 tons, applicable to the transportation of grain between said points.

Dated at San Francisco, California, this 6<sup>th</sup> day of July, 1926.

H. A. Brundage

C. L. Seaver

Leon O'Connell

Commissioners.