

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
J. W. Trefry, Freight Traffic Mana-)
ger for and in behalf of the Los)
Angeles Steamship Company for an)
order authorizing cancellation of)
certain freight rates named in Los)
Angeles Steamship Company's Joint)
Freight Tariff No.12, C.R.C. No.17.)

Application No. 13523.

In the Matter of the Application of)
Nelson Steamship Company for an or-)
der authorizing cancellation of cer-)
tain freight rates named in its Joint)
Freight Tariff No.10, C.R.C. No. 4.)

Application No. 13540.

Hugh Gordon, for Applicants.
R. S. Sawyer, for Associated Jobbers of Los Angeles.
H. R. Brashear, for Los Angeles Chamber of Commerce.
H. F. Hageman, for Riesener Chocolate Company, San
Francisco, Protestant.

BY THE COMMISSION:

O P I N I O N

The issues involved in these proceedings being similar, and the evidence submitted having been, by stipulation, made a part of the record in each proceeding, they will be disposed of in one decision and order.

Applicants are seeking authority under Section 63 of the Public Utilities Act for permission to cancel certain class and commodity freight rates applicable between San Francisco and Los Angeles, published in Los Angeles Steamship Company's Joint Freight Tariff No. 12, C.R.C. No. 17, effective February 16, 1926, and Nelson Steamship Company's Tariff No. 10, C.R.C. No. 4, effective December 6, 1926. The Pacific Electric Railway Company and

the California Truck Company are parties to the former mentioned tariff and the Los Angeles and San Pedro Transportation Company is a party to the last mentioned tariff, in connection with the movement between Los Angeles Harbor and Los Angeles. The service is commonly referred to as the Red Ball Fast Freight, also as the Store Door Delivery Service.

The applicable rates after cancellation will be the rates published in Pacific Coastwise Freight Tariff Bureau Tariff No. 1, C.R.C. No. 1.

A public hearing was held before Examiner Geary at Los Angeles April 19, 1927, and the proceedings having been duly heard and submitted are now ready for an opinion and order.

The tariff issued by the Los Angeles Steamship Company is most comprehensive, therefore the rates and rules published therein will be used for illustrative purposes. Item 110 defines Red Ball Service as follows:

"Red Ball freight service is an expedited service applying from pick-up address at San Francisco, Calif., or terminal of the Los Angeles Steamship Co. (Pier 7), San Francisco, Calif., to delivery address at Los Angeles, Calif.; and from pick-up address at Los Angeles, Calif., or terminal of the Calif. Truck Co. (Mill and East Sixth Streets), Los Angeles, Calif., to delivery address at San Francisco, Calif., as provided for herein."

The City of Los Angeles is divided into four delivery zones, as described in Rule No. 60, and separate rates are provided. San Francisco City and County is embraced in one delivery zone.

The following is a statement of the first four class rates now in effect:

CLASS RATES IN CENTS PER 100 POUNDS

BETWEEN

San Francisco

1st

2nd

3rd

4th

AND

Los Angeles (1)

80

65

57

50

Zone 1 (2)

90

75

67

60

Zone 2 (2)

99

84

76

69

Zone 3 (2)

104

89

81

74

Zone 4 (2)

106

91

83

76

(1) Applicable via Nelson Steamship Company, between Pier 24, San Francisco, and Los Angeles, including delivery at Los Angeles.

(2) Basis No. 1 scale applicable via Los Angeles Steamship Company between Pier 7, San Francisco, and Los Angeles, including delivery at Los Angeles.

The other sections of Basis No. 1 and Bases Nos. 2, 3 & 4 provide higher rates dependent upon the service and the commodity.

The tariff of the Los Angeles Steamship Company also contains pick-up and delivery less than carload commodity rates on cotton bags, dry batteries, cash registers, empty packages, citrus fruit, dried fruit, fresh vegetables, cotton piece goods, drugs, medicines, toilet preparations and envelopes, considerably higher than the less than carload commodity rates published in Pacific Coastwise Freight Bureau Tariff C.R.C. No. 1 applicable from San Francisco piers to the freight terminals in Los Angeles.

The preponderance of freight is subject to first and fourth class rates, and the Red Ball rates applicable via Los Angeles Steamship Company are from 20 to 36 cents per hundred higher than those published in Pacific Coastwise Freight Bureau Tariff C.R.C. No. 1, for terminal services only.

It was stipulated at the hearing that the records in Application No. 13086, Decision No. 17506, October 21, 1926, should

be made a part of this proceeding. In that application the water carriers operating between Northern and Southern California ports and by water and rail to the City of Los Angeles were authorized to readjust rates, rules and regulations and to publish them in a consolidated tariff, this upon the testimony that the applicants had suffered severe financial losses in the operation of the vessels between San Francisco and Los Angeles.

The Red Ball freight service was first inaugurated by the Los Angeles Steamship Company, February 16, 1926, primarily to expedite the movement of pick-up and delivery package freight, but in actual practice it was an express service in positive competition with the established express companies. A witness for the Los Angeles Steamship Company testified that the Red Ball freight averaged 40 tons per voyage during the month of June, 1926, that the service had been extensively advertised and actively solicited, but the anticipated increases in tonnage had not materialized, in fact it decreased to an average during December, 1926, of 30 tons per voyage; that the cost of rendering the service for the small tonnage secured was excessive and resulted in a burden on other traffic; that approximately 80% of the Red Ball freight was merely a diversion from the less than carload traffic, and that tests for 15 months proved the public would not patronize this service sufficiently to make it pay its own way.

From exhibits presented at the hearing it was shown that the Los Angeles Steamship Company's expenses for handling Red Ball freight in excess of the expense of handling ordinary freight averaged \$785.20 per month. The additional revenue received averaged \$114 per month, therefore the average monthly additional expense exceeded the additional revenue by \$671.20.

The rates applicable by the Nelson Steamship Company,

which does not furnish an expedited service, are lower than those by the Los Angeles Steamship Company, and were established in 1926 to meet the store door delivery rates of the White Flyer Line, the services of the two companies being somewhat similar. The Nelson Steamship Company handled 3,545 tons of freight, south bound, during the period December 8, 1926, to April 13, 1927, inclusive. The revenue received for the transportation of this freight was \$1,418 greater than would have obtained under the regular freight rates, while the expenses in handling and the divisions allowed connecting carriers were \$5,672, resulting in a loss of \$4,254.

Witnesses for applicants representing the McCormick Steamship Company and the Pacific Steamship Company, the competing lines, testified their companies had not published the store door delivery rates because an investigation developed the fact that the service could not be profitable, also there was not a sufficient public demand at compensatory rates.

Prior to the hearing some 25 letters were mailed the Commission urging the continuation of the service upon the grounds that the present arrangement was more convenient than the regular freight service, particularly in the matter of quick deliveries and the prepaying all freight charges. However, only two witnesses gave testimony; one witness was more concerned with the rates on the commodity handled by his firm between the Atlantic seaboard and Pacific Coast points than in the rates between San Francisco and Los Angeles, the other witness based his contention mainly upon the fact that the privilege of prepaying all charges to store door delivery was a convenience and a necessary service. An analysis of the letters by applicant's witness however revealed the fact that only a small percentage of the protestants were regularly using the store door delivery service, and although no

objection was made to the letters being a part of the record, attorneys for applicants maintained that because they had no opportunity to cross-examine complainants the communications could have but small value.

At the time the store door delivery rates first went into effect there were six common carrier steamer lines in operation between San Francisco and the Los Angeles ports, viz.: the Los Angeles Dispatch, White Flyer, Los Angeles Steamship Company, Nelson Steamship Company, Pacific Steamship Company and the McCormick Steamship Company. The rates were published by the first four companies in the order named, but never by the last two companies.

The Los Angeles Dispatch and the White Flyer lines were unable to operate at a profit and both of these services have been discontinued.

After a careful consideration of the evidence in this proceeding and a study of the exhibits we are of the opinion and find that the so-called Red Ball fast freight and store door delivery service is being operated at a loss; is a burden on other traffic; that there has not been shown a sufficient public demand or necessity for the service; and that the rates published in Los Angeles Steamship Company's Joint Freight Tariff No. 12, C.R.C. No.17, and Nelson Steamship Company's Joint Freight Tariff No. 10, C.R.C. No.4, do not produce sufficient revenue to justify their continuance. The application to cancel the rates will be granted.

O R D E R

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission fully advised, and basing its order on the findings

of fact as set forth in the preceding opinion,

IT IS HEREBY ORDERED that the Los Angeles Steamship Company and Nelson Steamship Company be and they are hereby authorized, upon notice to this Commission and to the general public by not less than twenty (20) days' filing and posting, to cancel the rates as set forth in the applications and published in Los Angeles Steamship Company's Joint Freight Tariff No. 12, C.R.C. No. 17, and Nelson Steamship Company's Joint Freight Tariff No. 10, C.R.C. No. 4.

Dated at San Francisco, California, this 25th day of May, 1927.

Edward J. ...
H. H. ...
...
Thomas ...
Commissioners.