

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

SACRAMENTO BOX AND LUMBER COMPANY,  
SETZER BOX COMPANY,  
Complainants,

vs.

SOUTHERN PACIFIC COMPANY, THE  
ATCHISON, TOPEKA AND SANTA FE RAIL-  
WAY COMPANY, THE WESTERN PACIFIC  
RAILROAD COMPANY, CENTRAL CALIFORNIA  
TRACTION COMPANY, LOS ANGELES & SALT  
LAKE RAILROAD COMPANY, PACIFIC ELEC-  
TRIC RAILWAY COMPANY,  
Defendants.

ORIGINAL

Case No. 2274.

E. W. Hollingsworth, for Complainants.  
F. W. Mielke and J. N. Bell, for the Southern  
Pacific Company, Los Angeles & Salt Lake  
Railroad Company and Pacific Electric Rail-  
way Company.  
Berne Levy and Platt Kent, for The Atchison,  
Topeka and Santa Fe Railway Company.  
James S. Moore, Jr., for the Western Pacific  
Railroad Company.  
W. P. Jennings, for the Central California Trac-  
tion Company.  
A. Larsson, for the Larsson Traffic Service,  
Intervener.  
E. R. Plum, for the Stockton Chamber of Commerce,  
Intervener.  
Clarence A. Webster, for Stockton Box Company,  
Intervener.  
Charles G. Twohy, for Delta Box Company, Inter-  
vener.

BY THE COMMISSION:

O P I N I O N

Complainants are engaged in the manufacture and sale  
of lumber and box shoo, with their principal places of business  
at Sacramento. By complaint seasonably filed and as amended at  
the hearing it is alleged that the rates on lumber and box shoo  
as described in defendants' tariffs applicable from Sacramento

to various points in the San Joaquin Valley and Southern California located on the lines of the Southern Pacific Company, Atchison, Topeka and Santa Fe Railway, Los Angeles & Salt Lake Railroad and Pacific Electric Railway are (a) unjust and unreasonable, and (b) unduly and unjustly discriminatory and prejudicial as compared with the contemporaneously effective rates from San Francisco, San Jose, Vallejo Junction, Port Costa, Bay Point, Pittsburg and Stockton.

Reasonable, nondiscriminatory and nonprejudicial rates are sought for the future. Rates will be stated in cents per hundred pounds.

The Stockton Chamber of Commerce, Stockton Box Company and Delta Box Company intervened for the purpose of maintaining satisfactory differentials as between Sacramento and Stockton. The Tidewater Southern Railway Company intervened on behalf of defendants.

A public hearing was held before Examiner Geary at San Francisco, and the matter having been duly submitted and briefs filed, is now ready for an opinion and order.

The specific destination territory involved may be roughly described as all main and branch line points on the Southern Pacific Company south of Tracy, Lathrop and Stockton, to and including Greenspot; all main and branch line points on The Atchison, Topeka and Santa Fe Railway south of Stockton to and including Wilmington, Redondo Beach and National City; points on the Pacific Electric Railway named in Index Nos. 2400 to 2865 pages 83 and 84 of Pacific Freight Tariff Bureau Tariff No. 48-J, C.R.C. No. 394; and East San Pedro, Highgrove and other points on the Los Angeles & Salt Lake Railroad named in Index Nos. 2103 to 2325 inclusive, page 82 of Pacific Freight Tariff Bureau Tariff No. 48-J, C.R.C. No. 394.

While the complaint brought into issue the rates on

lumber, the testimony and evidence submitted was devoted entirely to the rates on box shoo, complainants stating that the lumber manufactured at their plants is practically all shipped to eastern interstate destinations. The complaint also alleged that the rates to points on the Tidewater Southern Railway are unjust, unreasonable, unduly discriminatory and prejudicial, but this line was not made a defendant in this proceeding. Our findings will be devoted solely to the rates on box shoo from and to points on lines of those carriers properly made parties defendant.

Complainant Sacramento Box and Lumber Company commenced operations at Sacramento June 11, 1923, and operated continuously until August 8, 1926. On the latter date its mill was destroyed by fire, but it is of record that the reconstruction of the plant is being carried forward, and operations were expected to be resumed about March 1, 1927. During the period of production the annual output approximated twenty million board feet of shoo, and until operations were temporarily discontinued complainant had shipped 1741 cars of box shoo to various points in California, of which 38% were destined to the Sacramento Valley, 33.7% to the San Joaquin Valley, 4.5% to the Los Angeles District, 4.9% to the Imperial Valley, and the balance to Monterey, Watsonville, Santa Clara Valley, Sonoma and Napa Counties, and San Francisco Bay points. The evidence indicates that this complainant is in competition with box shoo mills located generally over the entire state but principally with those situated in close proximity to the timber and to the mills at San Francisco, Oakland, Alameda, Pittsburg, Stockton, San Jose, and in the San Joaquin Valley. The principal competition is for the tonnage moving into the San Joaquin Valley.

Complainant Setzer Box Company had not at the time of the hearing commenced operation but was constructing a box

shook factory at Sacramento which it anticipated would be in operation on or about April 1, 1927, with an output approximating that of the Sacramento Box and Lumber Company.

The present rates on shook from Sacramento to the San Joaquin Valley and Southern California are not predicated on any established basis, either with respect to distance hauled or with relation to the alleged competitive points. On the Oakdale Branch of the Southern Pacific, from Orford to Nairn inclusive, the rates range from  $9\frac{1}{2}$  cents for a haul of 53 miles to  $17\frac{1}{2}$  cents for a haul of 115 miles. The contemporaneous rates from Vallejo Junction and Pittsburg to the same destinations vary from one to  $2\frac{1}{2}$  cents lower than the Sacramento rates, from San Jose and San Francisco they are on the same basis, and from Stockton 4 to 6 cents lower. Sacramento is closer to the Oakdale territory points than are either Vallejo Junction, Pittsburg, San Jose or San Francisco by 26, 5, 31 and 43 miles respectively, and Stockton is 48 miles closer than Sacramento.

On the main line of the Southern Pacific on the east side of the valley from Manteca south to Earlimart the Sacramento rates vary from  $10\frac{1}{2}$  cents for a distance of 62 miles to 35 cents for a distance of 237 miles, and the Vallejo Junction and Pittsburg rates are from one to  $3\frac{1}{2}$  cents lower. The San Jose-San Francisco rates to these points are in some instances the same as the Sacramento rates and in other instances from  $\frac{1}{2}$  cent to  $3\frac{1}{2}$  cents lower, while the Stockton rates range from  $3\frac{1}{2}$  cents to 7 cents lower. The distances from Vallejo Junction, San Jose and San Francisco to the above points are 7, 12 and 24 miles further than from Sacramento, and from Pittsburg and Stockton the distances are from 14 and 48 miles less.

On the west side of the San Joaquin Valley, Lyoth to Hanford inclusive, Sacramento, San Jose and San Francisco are

generally on the same rate basis. There are however a few instances in which the rates from San Jose and San Francisco are slightly higher than from Sacramento, and conversely the Sacramento rates are in some instances lower than the San Jose-San Francisco rates and the distance from San Francisco is 3 miles greater. From Vallejo Junction and Pittsburg the rates to the west side points are from  $\frac{1}{2}$  cent to  $2\frac{1}{2}$  cents, and from Stockton  $2\frac{1}{2}$  cents to 6 cents, lower than the Sacramento rates, while the distance from Vallejo Junction, Pittsburg and Stockton is 14, 35 and 48 miles, respectively, less than from Sacramento.

On the main line of the Southern Pacific, Earlham and south, the rate from Sacramento is 35 cents and this rate is blanketed for a maximum distance of 275 miles to and including Los Angeles, San Pedro, Newport Beach, Huntington Beach, San Bernardino and Greenspot. From Vallejo Junction, Pittsburg, San Jose, San Francisco and Stockton the blanketed rate to these points is  $31\frac{1}{2}$  cents. Thus, with the exception of Sacramento all points have been placed on the same basis, namely,  $31\frac{1}{2}$  cents, although the distance from Sacramento is 19 miles less than from San Francisco and 7 miles less than from Vallejo Junction. The 35-cent rate from Sacramento and the  $31\frac{1}{2}$ -cent rate from the other points of origin also apply to all points on the Pacific Electric and Los Angeles & Salt Lake Railroad here involved.

The present rates to the branch line points on the Southern Pacific are likewise on an inconsistent basis. For example, to the Clovis Branch the rate at the junction point, Fresno, is 27 cents from Sacramento and  $25\frac{1}{2}$  cents from San Francisco, but at Friant, the terminus of the branch, the differential is reversed and the rate from Sacramento is  $1\frac{1}{2}$  cents lower than from San Francisco. Similarly, on the Owenyo Branch the Sacramento rate at Chaffee is now  $3\frac{1}{2}$  cents higher than the rate from Vallejo Junction, Pittsburg, San Jose, San Francisco and Stockton,

but at Lone Pine, a more distant point on the same branch, the rates are the same from all six origin points. Practically the same differentials prevail from Sacramento to points on the Atchison, Topeka and Santa Fe Railway in the San Joaquin Valley and in Southern California.

Complainants maintain that due to the inconsistent and unsatisfactory rate adjustment, they are laboring under a decided disadvantage in marketing their shock in the San Joaquin Valley and in Southern California. They compare the assailed rates with rates from San Pedro to points in the San Joaquin and Imperial Valleys, established by this Commission in Case 1951, Los Angeles Lumber Products Company vs. Southern Pacific, 26 C.R.C. 217. In that proceeding we set as just, reasonable, nondiscriminatory and non-prejudicial a rate of 29 cents from San Pedro to Bakersfield, a distance of 193 miles, and this rate was blanketed north to and including Fresno, 300 miles from San Pedro; on the east side of the San Joaquin Valley a rate of 30 cents at Madera and Merced, and 31 cents at Modesto and Manteca, distances of 322, 355, 392 and 409 miles respectively from San Pedro; on the west side of the valley a rate of 30 cents at Hanford, 289 miles from San Pedro, which rate was blanketed north to and including Los Banos, 368 miles; at Volta and Lyoth, for distances of 373 and 423 miles, a rate of 31 cents, and at San Francisco, Niles, San Jose, Port Costa, Stockton, Sacramento and the intermediate points a blanketed rate of 31½ cents for a maximum haul of 470 miles.

A witness for complainants stressed the fact that the rate from Merced, Madera, Clovis and El Prado to Sacramento is 14 cents whereas the rates from Sacramento to these points are 17½¢, 25¢, 29½¢, and 33¢ respectively. There were also introduced exhibits showing that the rates from El Prado to Sacramento territory were considerably lower than the rates from Sacramento to points in the San Joaquin Valley for equidistant hauls. The following statement compiled from complainant's exhibit is

illustrative:

<u>FROM</u> Sacramento			<u>FROM</u> El Prado		
<u>TO</u>	<u>Miles</u>	<u>Rate</u>	<u>TO</u>	<u>Miles</u>	<u>Rate</u>
Sanger	185	29½	Sacramento	189	14
Dinuba	200	29½	Roseville	201	14
Visalia	211	31½	Penryn	210	14
Lindsay	228	33	Clipper Gap	225	16
Porterville	239	34	Marysville	235	22½
Slater	261	35	Oroville	261	25½
Bakersfield	278	35	Chico	279	28

Another exhibit introduced by complainants indicates that at 17 points in Central California, Sacramento is subjected to differentials of 4 to 6 cents over Stockton for an additional haul of 48 miles, but from Weed, which is 261 miles north of Sacramento, to these same points the differential in favor of Sacramento is only ½ cent at two destination points, 1½ cents at five points, 2½ cents at three points, 3½ cents at one point, 4½ cents at one point, and at five points the rates are the same. A somewhat similar showing is made with respect to the existing differentials in rates from Red Bluff, Dorris, Newcastle, Westwood and Santa Cruz.

Defendants showed by the testimony of their witnesses that the blanket 31½-cent rate between San Francisco Bay points and Southern California was established and is now maintained to meet water competition. This competition is evidenced by the fact that during 1925 San Francisco Bay points received a total of 1,081,402,900 board feet of timber from ocean vessels and Los Angeles Harbor received 1,306,635,053 board feet. In 1910 the rate to Los Angeles from the bay district was 30 cents, and this rate also applied from Sacramento. Due to the wartime increases the 30-cent rate was successively increased to 35 cents (General Order No. 28 of the Director General of Railroads) and 44 cents

(18 C.R.C. 646). Effective October 3, 1921, the 44-cent rate was reduced from all points of origin save Sacramento, to 35 cents. This reduction it is claimed was made to meet the acute water competition. On July 1, 1922, these rates were reduced 10% (Reduced Rates 1922), making the Sacramento rate  $39\frac{1}{2}$  cents and the rate from the other origin points  $31\frac{1}{2}$  cents. Effective January 29, 1923, the Sacramento rate was reduced to 35 cents and since that time there has been no change in this rate. Thus from 1910 until October 3, 1921, Sacramento enjoyed the same rate to points in Southern California as were applicable from San Francisco, Stockton, Pittsburg and the other San Francisco Bay points, but since that time the differential in favor of the bay points has been successively 9 cents, 8 cents and  $3\frac{1}{2}$  cents.

Defendants contend it is not unusual to carry rates from Sacramento to points in the San Joaquin Valley and to Southern California higher than those contemporaneously in effect from San Francisco Bay points, and refer to such commodities as beans, canned goods, lime, plaster, roofing and paddy rice, with the differentials in favor of the bay points varying from  $1\frac{1}{2}$  cents to 4 cents per hundred pounds. Complainants show by their exhibits that on such important commodities as grain and grain products, hay, flour, cereals and cattle Sacramento is accorded lower rates than San Francisco, varying from  $\frac{1}{2}$  cent to 5 cents per hundred weight on the first four commodities and \$2.00 to \$11.00 per car on cattle. Defendants cite the fact that the box shock rates from Sacramento have not operated to the detriment of that point, inasmuch as the tonnage moved during the year 1925 was far in excess of the combined movements from San Francisco, Vallejo Junction, Port Costa, Bay Point, Pittsburg and Stockton, there having been 410 cars forwarded from Sacramento and only 173 cars from Stockton and the San Francisco Bay district.



Reference is also made by defendants to the lumber rates set by this Commission in Case No. 1951, supra, applying from San Pedro to Saugus and points north thereof, which they contend were predicated upon undue prejudice and not upon the basis of unreasonableness. This contention is not borne out by the record, for in that proceeding we found the rates were excessive, unreasonable, unjust, discriminatory and prejudicial.

Defendants further urge that since the tonnage is now moving freely from Sacramento, the competition encountered is of no consequence and therefore there is no undue prejudice or discrimination. With this contention we are not in accord, for the mere fact that Sacramento markets more box shock than the competing points may be due to a combination of economic conditions entirely foreign to the freight rates. It is a well established principle in rate making that a shipper is entitled to just, reasonable, nondiscriminatory and nonprejudicial rates regardless of the amount of the business transacted.

After a careful consideration of all the facts of record we are of the opinion and find that the rates assailed from Sacramento applying to box shock are now and for the future will be unjust, unreasonable, discriminatory and prejudicial to the extent that they exceed the following rates:

(1) 31½ cents per 100 pounds to Burr, Quail, Los Angeles, San Pedro, Whittier, Los Alamitos, Tustin, Newport Beach, Huntington Beach, Pasadena, Duarte, Chino, Colton, San Bernardino, Riverside and Greenspot on the Southern Pacific Company; Allensworth, Lindsay, San Bernardino, Redlands, Los Angeles, Wilmington, Redondo Beach and National City on The Atchison, Topeka & Santa Fe Railway; points on the Pacific Electric Railway named in Index Nos. 2400 to 2865 inclusive, pages 83 and 84 of Pacific

Freight Tariff Bureau Tariff No. 48-J, C.R.C. No. 394;  
 points on the Los Angeles & Salt Lake Railroad named in  
 Index Nos. 2103 to 2325 inclusive; page 82 of Pacific  
 Freight Tariff Bureau Tariff No. 48-J, C.R.C. No. 394.

(2) To points on the Southern Pacific Company and  
 The Atchison, Topeka & Santa Fe Railway in the territory  
 not described in the preceding paragraphs, the following  
 rates:

SOUTHERN PACIFIC COMPANY

Milton	11	Barton	27
Oakdale	11	Friant	32 $\frac{1}{2}$
Hickman	11 $\frac{1}{2}$	Blossoma	26
Nairn	15 $\frac{1}{2}$	Exeter	30 $\frac{1}{2}$
Arbols	25 $\frac{1}{2}$	Worth	36
Mendota	25 $\frac{1}{2}$	Clavicle	37 $\frac{1}{2}$
Ingle	25 $\frac{1}{2}$	Ultra	31 $\frac{1}{2}$
Jameson	25 $\frac{1}{2}$	Richgrove	31 $\frac{1}{2}$
Crayold	25 $\frac{1}{2}$	Jovista	34
Cunco	35 $\frac{1}{2}$	Goshen Junction	29 $\frac{1}{2}$
Marsala	35 $\frac{1}{2}$	Tulare	30 $\frac{1}{2}$
Modesto	11	Oil City	35
Turlock	13 $\frac{1}{2}$	Porque	36
Merced	15 $\frac{1}{2}$	Vacarro	35 $\frac{1}{2}$
Berenda	22	Chaffee	35 $\frac{1}{2}$
Raymond	27	Garlock	37
Madera	23	Rand	38
Biola Junction	24 $\frac{1}{2}$	Searles	39 $\frac{1}{2}$
Biola	29	Clancha	44 $\frac{1}{2}$
Fresno	25 $\frac{1}{2}$		

THE ATCHISON, TOPEKA & SANTA FE RAILWAY

Oakdale	11	Woodlake	30 $\frac{1}{2}$
Empire	11	Exeter	30 $\frac{1}{2}$
Denair	13 $\frac{1}{2}$	Tulare	30 $\frac{1}{2}$
Merced	15 $\frac{1}{2}$	Sowles	26
Fresno	25 $\frac{1}{2}$	Corcoran	30 $\frac{1}{2}$
Reedley	28 $\frac{1}{2}$		

Because of the scope of the distribution territory here  
 involved it is impracticable to prescribe the rate at each indiv-  
 idual point. Defendants will be expected to revise the rates at  
 the points not specifically named in harmony with those here set  
 forth.

O R D E R

This case being at issue upon complaint, and answer on file, 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 opinion which precedes this order,

IT IS HEREBY ORDERED that the Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, The Western Pacific Railroad Company, Central California Traction Company, Los Angeles & Salt Lake Railroad Company, and Pacific Electric Railway, according as they participate in the transportation, be and they are hereby notified and required to cease and desist on or before September 25, 1927, and thereafter abstain from publishing, maintaining and applying rates on box shock in carloads not in accordance with the opinion which precedes this order.

IT IS HEREBY FURTHER ORDERED that the Southern Pacific Company, The Atchison, Topeka and Santa Fe Railway Company, The Western Pacific Railroad Company, Central California Traction Company, Los Angeles & Salt Lake Railroad Company, and Pacific Electric Railway, according as they participate in the transportation, be and they are hereby notified and required to establish on or before September 25, 1927, upon notice to this Commission and to the general public by not less than ten (10) days' filing and posting in the manner prescribed in Section 14 of the Public Utilities Act, and thereafter to maintain and apply to the transportation of box shock in carloads the rates as described in the opinion which precedes this order.

Dated at San Francisco, California, this 9<sup>th</sup> day  
of September, 1927.

\_\_\_\_\_  
*C. Deaver*  
\_\_\_\_\_  
*Leon White*  
\_\_\_\_\_  
*John D. ...*  
\_\_\_\_\_  
*W. A. ...*  
Commissioners.