

LEM

Decision No. 31975.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
for an order authorizing sale by
CENTRAL PACIFIC RAILWAY COMPANY,
and its lessee, Southern Pacific
Company, to The California Trans-
portation Company, of Central
Pacific Railway Company's Sacramento
steamer line of river boats plying
on San Francisco Bay and Sacramento
River between San Francisco and
Sacramento, all in the State of
California.

Application No. 16138

ORIGINAL

H. H. McElroy, for Central Pacific Railway
Company and Southern Pacific Company;
W. H. Metson, for The California Transportation
Company.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter the Railroad Commission is asked to make its order authorizing Central Pacific Railway Company and Southern Pacific Company to sell, transfer and convey their Sacramento River steamer line to The California Transportation Company, under and pursuant to the terms of a proposed contract to be entered into between the three companies, a copy of which contract is filed as Exhibit "C"; and further, authorizing The California Transportation Company to discontinue the operation of the steamers "Navajo" and "Cherokee" on the schedules now maintained by Southern Pacific Company.

The application shows that Central Pacific Railway Company is the owner of, and Southern Pacific Company, as lessee, is in possession of, and is operating, as a common carrier of passengers and freight, a line of river boats plying on San Francisco Bay and

Sacramento River, between San Francisco and Sacramento, including two steamers named "Navajo" and "Cherokee". The points it serves, and its rates and charges are set forth in its Local Freight Tariff No. 930-c, C.R.C. No. 2820, and its Local Passenger Tariff B.C.-No.1, C.R.C. No. 2929 and Excursion Notice No. 6508, C.R.C. No. 5104.

The California Transportation Company, likewise, is the owner of, and is in possession of and operating, as a common carrier of passengers and freight, a line of river boats plying between San Francisco and Sacramento and Stockton. The points it serves, and its rates and charges, are set forth in its Local and Joint Freight Tariff No. 10-F, C.R.C. No. 55, its Local and Joint Freight Tariff No. 9-d, C.R.C. No. 54 and its Local Passenger Tariff No. 6-D C.R.C. No. 55.

It appears that The California Transportation Company is engaged in operating on a through schedule two river steamers named "Delta King" and "Delta Queen", for handling passengers and freight daily between Sacramento and San Francisco, and, in addition thereto, is operating two steamers named "Pride of the River" and "T. C. Walker", between San Francisco and Sacramento on a local or intermediate schedule, giving service in direct competition with the Southern Pacific Company's steamers "Navajo" and "Cherokee", which also operate on a local or intermediate schedule between San Francisco and Sacramento.

The record shows that the operations by The California Transportation Company of the "Pride of the River" and the "T.C. Walker" and by Southern Pacific Company of the "Navajo" and the "Cherokee" have resulted in operating losses. In Exhibits "A" and "B" the former company reports, for the nine months ending September 30, 1929, operating revenues of \$148,644.52 and a loss of \$20,682.55, and the latter company, for the six months ending June 30, 1929, operating revenues of \$72,002.29 and a loss of \$43,928.55. In addi-

tion, the Southern Pacific Company has extended its rail lines to Isleton, the principal source of its traffic on the Sacramento River, which has resulted and will result in materially decreasing the steamer line freight revenues.

In view of the past operating results and the probability of further traffic diversions to the Isleton rail service, applicants allege that the duplicate service now rendered is not justified and that it would be in the public interest for The California Transportation Company to purchase the "Navajo" and the "Cherokee" and the operative rights from the Central Pacific Railway Company and to unify the operations of the two lines. Arrangements, therefore, have been made to transfer the properties to The California Transportation Company for the sum of \$50,000.00. A copy of the proposed contract providing for the sale and purchase of the properties is filed herein as Exhibit "C".

An examination of the proposed agreement shows that under its terms The California Transportation Company will agree to assume the obligation of Southern Pacific Company as a common carrier, so far as its Sacramento steamer line is concerned; to adopt the existing schedules and tariffs of Southern Pacific Company's Sacramento steamer line, so far as applicable to said steamer line, or file such other lawful schedules or tariffs as may be authorized by law; to continue its present services, rates and schedules unless and until changed by proper lawful authority, operating its existing boats to take care of the business now handled by the two lines; and to discontinue the operation of the "Navajo" and the "Cherokee" during the winter months and between seasons. In this connection, it appears that the two vessels to be acquired from Southern Pacific Company will be used by the purchaser as auxiliaries and placed in operation during seasons when the traffic is heavy and requires additional services, the testimony on this point clearly indicating that the purchaser should be able to handle the traffic offered it. Applicants

believe that the removal of the duplication in service should result in substantial operating economies, enabling the purchaser to conduct the operations on a profitable basis. From a review of the application and the evidence submitted, it occurs to us that the public interest will not be adversely affected by the proposed transaction, and we believe that the transfer should be authorized.

In support of the proposed purchase price, applicants allege that the ledger value of the "Navajo", built in 1912, is \$49,557.81, and of the "Cherokee", built in 1909, \$104,290.74; a total of \$153,848.55. The total present value of the two vessels is alleged to be \$50,000.00, the agreed purchase price. This price, under the terms of the proposed contract is payable \$10,000.00 upon the execution of the agreement and the balance thereafter in annual installments of \$10,000.00, with interest at the rate of six percent per annum. No notes will be issued for the balances due, but it appears to us that the contract itself is an evidence of indebtedness coming within the meaning of Section 52-b of the Public Utilities Act and, as such, requiring the approval of the Commission and being subject to the payment of the fee prescribed by Section 57 of the Act. In recording the purchase of the properties on its books of account, the purchaser, in our opinion, should charge to its investment accounts the present ledger value of the vessels, crediting the difference between such ledger values and the purchase price to its reserve for accrued depreciation account.

ORDER

Application having been made to the Railroad Commission for authority to transfer properties, as indicated in the foregoing opinion, a public hearing having been held before Examiner Williams,

and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the transfer of properties under the terms proposed herein is in the public interest,

IT IS HEREBY ORDERED that Central Pacific Railway Company and Southern Pacific Company be, and they hereby are, authorized to sell, transfer and convey the operative rights and properties comprising the Sacramento steamer line, referred to in the foregoing opinion, to The California Transportation Company, such sale, transfer and conveyance to be under and pursuant to the terms of the proposed contract between the three applicants filed with the application herein as Exhibit "C", and further, to withdraw from the operation of said Sacramento steamer line upon the acquisition thereof by The California Transportation Company.

IT IS HEREBY FURTHER ORDERED that The California Transportation Company be, and it hereby is, authorized to incur the payment of the indebtedness for the purchase of the properties of Central Pacific Railway Company, as set forth in said Exhibit "C".

IT IS HEREBY FURTHER ORDERED that The California Transportation Company be, and it hereby is, authorized, upon acquiring the properties as herein authorized, to discontinue the operation of the steamers "Navajo" and "Cherokee" on the schedules now maintained by Southern Pacific Company.

The authority herein granted is subject to the following conditions:-

1. The California Transportation Company shall file immediately tariffs in its own name or adopt as its own the tariffs of Southern Pacific Company covering its Sacramento steamer line, now on file with the Railroad Commission.

2. The California Transportation Company shall file with the Commission, within sixty days after acquiring possession of the properties, a copy of the deed or other instrument of conveyance, a copy of the contract as finally executed, and a copy of the journal entries by which it records the purchase on its books of account.

3. The California Transportation Company shall pay the fee prescribed by Section "57" of the Public Utilities Act.

4. The authority herein granted will become effective upon the date hereof. Under such authority, no transfer, as herein authorized, may be made subsequent to December 31, 1930.

DATED at San Francisco, California, this 2nd day of January, 1930.

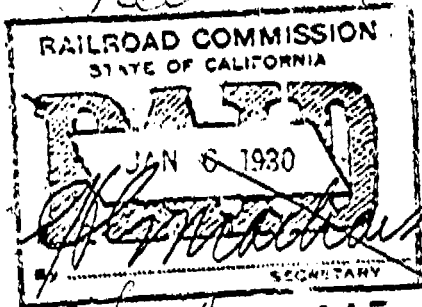
Thomas D. Lott

E. C. Semple

Leon A. White

W. J. Carr

Commissioners.



Fee # 27445