

Decision No. 24215.

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Suspension by the Commission on its own motion of reduced rates on paddy rice as follows: Items Nos. 20870-C and 20890-C of Supplement 26 to Pacific Freight Tariff Bureau Tariff No. 34-M, C.R.C. No. 458 of F. W. Gomph, Agent; Item 315-H, 10th revised page 73 of Sacramento Northern Railway Local and Proportional Freight Tariff 10-C, C.R.C. No. 31; Item No. 1050-F, 14th revised page 46 of Sacramento Northern Railway Joint and Proportional Freight Tariff No. 6-B, C.R.C. No. 51; and Item 7890-A of Southern Pacific Tariff 730-D, C.R.C. 3353.

Case No. 3029.

Sanborn, Roehl & Brookman, by H. E. Sanborn,  
for the Sacramento Navigation Company.

Arthur B. Roehl, for Farmers Transportation  
Company.

L. N. Bradshaw, for respondent Sacramento Northern  
Railway Company.

J. L. Fielding, for respondent Southern Pacific  
Company.

SEAVEY, Commissioner:

O P I N I O N

By schedules filed to become effective March 10, 1931, respondents proposed to reduce the rates on paddy rice, in car-loads, from Colusa to San Francisco, Sacramento, Oakland and Pittsburg; from Tarke, Meridian and Arbee to Sacramento, and from Sycamore, Grimes, Grains and College City to San Francisco and Sacramento. The reduced rates were protested by the Sacramento Navigation Company, a competing water line, on the ground

that if they were allowed to become effective protestant would be required either to reduce its own rates or to forego participation in the traffic. Either of these alternatives it is claimed would seriously impair protestant's financial ability to serve its patrons, some of which are dependent solely upon water transportation. Thereupon the Commission suspended the reduced rates until the 7th day of December, 1931.

The proceeding was duly heard, orally argued and submitted. Rates are stated in cents per 100 pounds.

While respondents have proposed reductions in the rates to Sacramento and San Francisco Bay points from numerous points of origin, their primary object is to reduce the rate from Colusa and Arbee, the reduction from the other points of origin being made in order to avoid violation of the long and short haul provisions of Section 24(a) of the Public Utilities Act.

Prior to January 26, 1929, respondents' paddy rice rates in most instances were 125% of the contemporaneously applicable grain rates. This basis was prescribed by the Commission in Pacific Rice Growers Association vs. A.T. & S.F. Ry. et al., Rosenberg Bros. and Company et al. vs. S.P.Co. et al., 19 C.R.C. 248, and Rosenberg Bros. and Company et al. vs. A.T. & S.F. Ry. et al., 23 C.R.C. 242, 755. The record shows that in 1928 shippers at Colusa and Arbee, the latter a point on the Sacramento Northern Railway less than a mile east of Colusa, represented to the Sacramento Northern that because of lower rates applicable from cross-country points located on the main line of the Southern Pacific Company paddy rice could not successfully move through Colusa or Arbee under the existing rates. Rates equal to those applying from Williams, a Southern Pacific main line point 9.4 miles by state highway west of Colusa, were sought. Although not fully

yielding to these requests the Sacramento Northern, effective January 26, 1929, did reduce its rates to the basis of those applicable from the Southern Pacific points of Maxwell and Delevan. These points are 8.8 and 14.1 miles north of Williams. The rates to Sacramento were  $2\frac{1}{2}$  cents and to San Francisco and Oakland one-half cent higher than from Williams.

Shortly thereafter, effective February 1, 1930, the Southern Pacific Company and the Sacramento Northern Railway reduced certain rice rates to meet motor truck competition. From Delevan, Maxwell and Williams to San Francisco, Oakland and Sacramento the Southern Pacific Company's rates were reduced a flat four cents, and from Colusa a reduction of  $1\frac{1}{2}$  cents was made by both carriers. Thus differentials of substantially the volume of those previously existing were again established. Believing that under the then existing rates and differentials it would lose a large portion of this business to the Southern Pacific through Williams, the Sacramento Northern proposed, effective March 10, 1931, to place Colusa and Arbee on the same rate level as Williams. The Southern Pacific Company thereupon reduced its rates from Colusa and intermediate points to the same basis. This respondent offered no defense of the proposed reduced rate from Colusa.

The relationship and changes that have been effected since January 25, 1929, are shown by the following statement:

<u>To Sacramento</u>				
<u>From</u>	<u>1/25/29</u>	<u>1/26/29</u>	<u>2/1/30</u>	<u>3/10/31</u>
Williams	13	13	9	9
Colusa and Arbee	$17\frac{1}{2}$	$15\frac{1}{2}$	14	9*
<u>To San Francisco and Oakland</u>				
<u>From</u>	<u>1/25/29</u>	<u>1/26/29</u>	<u>2/1/30</u>	<u>3/10/31</u>
Williams	19	19	15	15
Colusa and Arbee	$22\frac{1}{2}$	$19\frac{1}{2}$	18	15*

\* Under suspension.

The rates of protestant Sacramento Navigation Company from Colusa and points south have been 12 cents to Sacramento and 17½ cents to San Francisco and Oakland since February 14, 1930. Prior to that date they were 15 cents and 20½ cents respectively. There is little if any movement of paddy rice to Pittsburg.

The Sacramento Northern claims that of the 1929 rice receipts at Colusa 40 per cent. came from territory between Colusa and Williams; that potentially it may move to either point or to Arbee for storage or shipment, and that unless the rates at these three points are on a parity the preponderance of movement will be through Williams. As an example of the effect the rates have upon the movement of this rice respondent Sacramento Northern points out that it handled the equivalent of 26.4% of the 1928 Colusa County crop. At this time tonnage was being attracted to these points by the operation of a rice mill at Arbee. Of the 1929 crop, when the mill was not in operation but with a smaller rate handicap, it handled an equivalent of 35.8%. The next year during which it operated under a greater rate handicap than in 1928 it handled but 15.1%. The warehouses located on the Sacramento Northern likewise secured slightly more rice in the 1929 season, amounting to 10,053 tons at Colusa, than they did in 1928 when the crop was practically three times as large.

From the extended testimony taken during the five days of hearing it is evident that the choice of shipping points is governed by a number of factors, among which are proximity to the rice fields, condition of roads, warehouse facilities, and rates. The record is contradictory as to the extent shippers are influenced by any one of these factors. It is apparent,

however, that while some may give more consideration than others to certain factors, under a like rate adjustment the greater part of the territory between Colusa and Williams is competitive. This competitive feature, if not entirely destroyed, is at least greatly abridged by the establishing of an appreciable rate differential.

Protestant claims that if it is forced to meet the reductions of respondents from Colusa it will be forced not only to reduce other paddy rice rates from non-competitive points both north and south of Colusa but also will be forced to reduce its grain rates because of a recognized relationship between the rates on these commodities. Rice ranks next to grain and is second in importance of the commodities transported by protestant. Reasoning along these lines protestant forecasts a loss of approximately \$58,000.00 in gross revenue annually. However the total gross revenue from the rice tonnage from Colusa for 1929 was only \$6,215.00, hence it is hardly likely that protestant would take any action resulting in a loss of \$58,000.00 in its gross revenue to protect a gross revenue of \$6,215.00. The investment of the Sacramento Navigation and affiliated companies according to its Exhibit No. 11 is \$1,364,684.71. Approximately 60% of this amount is invested in floating and wharf equipment; the balance represents the value of warehouses, etc. In 1929 respondent made a net profit of \$24,354.89 on its water lines; in 1930 it operated at a loss of \$21,911.29. The affiliated warehouses operated at profits of \$3,808.93 and \$4,198.50 during these years.

Assuming that protestant's gross revenues would be somewhat reduced, this fact in and of itself does not justify this Commission in denying the Sacramento Northern Railway and

its connections the right to initiate rates to meet the rates of a competing rail carrier provided the reduced rates are not so low as to burden other traffic. The proposed rate of 9 cents from Colusa to Sacramento yields a per car revenue of \$49.86 and a per car mile revenue of 69.6 cents; under the 15-cent rate to San Francisco the per car revenue would be \$83.10 and the per car mile revenue via the Sacramento Northern and Atchison, Topeka and Santa Fe Railway 52.4 cents and via the Sacramento Northern and Western Pacific Railroad Company 39.6 cents. The record indicates that these rates, while not maximum reasonable rates as conceded by respondents, will be reasonably compensatory and will not burden other traffic.

Upon consideration of all the facts of record I am of the opinion and find that the proposed rates have been justified and that our order of suspension should be vacated and set aside as of November 20, 1911.

I recommend the following form of order:

O R D E R

This proceeding having been duly heard and submitted, 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 our order of suspension in this proceeding dated March 9, 1931, be and it is hereby vacated as of November 20, 1931, and this proceeding discontinued.

The foregoing opinion and order are hereby adopted as the opinion and order of the Commission.

Dated at San Francisco, California, this 9<sup>th</sup> day of November, 1931.

C. J. Sewing  
Leon Oehlwald  
M. J. Linn  
M. B. Kegan  
Fred G. Stewart  
Commissioners.