

ORIGINAL

Decision No. 10619

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Piedra Rock Company, a corporation,  
Complainant,

vs.

Southern Pacific Company, a corporation,  
Atchison, Topeka & Santa Fe Railway Company,  
a corporation,  
Defendants.

CASE NO. 1645.

Sanborn, Roehl & Smith, and Jas. A. Keller, for Complainant,  
Elmer Westlake, Frank B. Austin and J. E. Lyons, for  
Southern Pacific Company,  
E. W. Camp, Platt Kent and B. Levy, for The Atchison,  
Topeka & Santa Fe Railway Company,  
George S. Strait, for the County of Los Angeles,  
B. H. Carmichael, for the County of Kern,  
G. H. Baker and H. C. Asher, for Grant Rock & Gravel  
Company, Intervener.

BY THE COMMISSION:

O P I N I O N

This is a proceeding in which the Piedra Rock Company, a corporation, makes complaint that the local and joint rates maintained by the Southern Pacific Company and the Atchison, Topeka & Santa Fe Railway Company on crushed rock from Piedra to points on defendants' lines within the state of California, are excessive, unjust and unreasonable, in violation of Section 13 of the Public Utilities Act, and discriminatory and prejudicial, in violation of Section 19 of the Public Utilities Act, and subject complainant to

great hardship, loss and disadvantage. Complainant prays that the defendants be required to cease and desist from the aforesaid violation of the law, and petitions the Railroad Commission to prescribe in place of such alleged unlawful rates, just, reasonable and nondiscriminatory rates.

Hearings were held on November 9 and 10, 1921 and January 30, 1922. On the latter date the case was submitted on briefs. The closing brief of complainant was filed April 20, 1922 and the matter is now ready for opinion and order.

The Piedra Rock Company, located at Piedra, a point on the Atchison, Topeka & Santa Fe Railway Company's lines, 16.8 miles from Reedley and 39.8 miles from Fresno, sells its products, the testimony shows, as far north as Merced on the Santa Fe and in the vicinity of Bama on the south, a point located on the joint track of the Southern Pacific and the Santa Fe.

Crushed rock is one of the lowest grades of freight. It moves in large volume, usually for short distances, loads to capacity and is practically free from loss and damage. Very low freight rates are necessary in order to assure free movement. It is a commodity that is produced practically all over the State and comes in competition with other commodities, such as gravel and crushed gravel, which are frequently used as substitutes for crushed rock. In the northern central part of the State there are crushed rock plants at Fair Oaks, Natomas, Elliot, Logan, Niles and Dwight. At least two of these northern central plants are owned by the same interests as own the complainant's plant. These northern central plants compete for business in the San Joaquin Valley as far south as the freight rates from the southern central California plants will permit. The southern central California plants are located at Friant, on a branch line of the

Southern Pacific and at Piedra and Woodrock, on the Piedra branch of the Santa Fe, two or three small plants on the west side of the Stockton Division of the Southern Pacific and at Solo on the Santa Fe.

It was testified that the price of crushed rock and crushed gravel at all of these producing points is practically the same and, therefore, the rate has considerable to do with restricting the territory within which any one plant can market its product.

Complainant contends it cannot absorb more than 10 cents per ton and be able to compete with another plant whose rate is more than 10 cents per ton lower than complainant's rate. The first railroad running through the San Joaquin Valley was the Southern Pacific Company and the principal towns were built on or adjacent to that company's lines, and the testimony showed that a large percentage of the rock products originated by the complainant is consigned to the Southern Pacific Stations in the San Joaquin Valley. The complainant's plant is, therefore, at a disadvantage on account of being located on the Santa Fe.

The complainant stated that rates on crushed rock are based upon an unpublished mileage scale adopted by both the Southern Pacific and the Santa Fe for business local to their lines. It has, however, been the practice of these two carriers, Southern Pacific Company and the Santa Fe, when publishing a joint rate for a two-line haul, to add 20 cents per ton to the one-line mileage basis.

On the first day of the hearing in this proceeding the Grant Rock and Gravel Company filed a petition in intervention, and later a petition for further hearing, contending that serious

and irreparable injury may be done to intervener while a complaint of its own might be pending. A further hearing was granted upon the petition of the intervener and a hearing held on January 30, 1922.

The contention of the intervener, Grant Rock & Gravel Company, was that its plant, being located at Friant, a distance 24.4 miles from Fresno, would be affected by any adjustment of rates at Piedra, the intervener being in keen competition with the complainant.

The complainant suggested as a rate for a two-line haul from Piedra on the Santa Fe, via Fresno or Visalia, to points on the Southern Pacific, the one-line mileage scale, plus 10 cents per ton, but not to exceed the rates from Dwight, six miles from Oakland on the Santa Fe, for a similar distance.

It was claimed by the complainant that no greater service is performed by the Santa Fe and Southern Pacific Company on shipments originating at Piedra and destined to points on the Southern Pacific than was performed on shipments from Dwight, turned over to the Southern Pacific at Oakland for movement to a point on that line. The complainant further stated that it had lost business in several instances on account of its freight rate being more than 10 cents per ton higher to the same point than the freight rate of its competitor. The complainant's plant at Piedra, on the Atchison, Topeka & Santa Fe, is 15.4 miles farther distant to consuming destinations north of Fresno than its competitor's plant at Friant. The complainant also called attention to the rates from a competing plant at Woodrock, 4 miles nearer to points of distribution than Piedra, showing that in many instances there are lower rates from the point only 4 miles from complainant's plant than enjoyed by the complainant. An official of the Santa Fe, called as a witness by the complainant, testified

that his line is willing to blanket the rates on crushed rock from Piedra to points on the Southern Pacific, and since this case was submitted the Santa Fe has published the same rates from Piedra as apply from Woodrock, thereby taking care of that part of this complaint.

A substantial part of plaintiff's exhibits filed in this proceeding compared the rates from Piedra with the rates from Dwight and Woodrock, but did not compare rates from Piedra with the rates of its principal competitor at Friant.

The evidence was to the effect that the Santa Fe in order to allow the product of the quarry at Dwight to be given as large a circulation as possible and in order to keep the quarry operating at full capacity, made rates into Oakland in competition with rock reaching Oakland by water from a quarry at Richmond and from other quarries shipping into Oakland by barge. This permitted the Dwight quarry to make prices and bids on rock for points on the Southern Pacific in competition with local rock from what was known as the Leona Quarry and with quarries shipping rock by water. The testimony also showed that the operation of getting the rock from the Dwight Quarry into the Oakland yard, where it was turned over to the Southern Pacific, was practically a yard operation. It will therefore be seen that the Dwight rates are on a low basis to meet water competition and the competition from quarries located in the city of Oakland, Leona Heights, on the San Francisco-Oakland Terminal Railways, and in these respects at least are not fairly comparable with the rates from either Piedra or Friant.

Intervener's witness, who is Sales Manager for the plant at Dwight, testified that his plant ships as far as Stockton on the Atchison, Topeka & Santa Fe, and as far as Martinez, San Jose and Redwood City on the Southern Pacific

Company lines, but that these points are the farthest where they could do business before meeting competition of other quarries operating under the minimum rate. The same witness testified that the Dwight plant could not reach San Joaquin Valley points account of too high rates (Trans.200). Complainant's witness said: "It is impossible for Dwight to do any business in the southern part of the San Joaquin Valley (Trans.37).

In view of the above testimony, it would seem there is actually no competition whatsoever between the plants at Dwight, on the one hand, and those at Piedra on the other hand.

The defendant, Southern Pacific Company, filed exhibits indicating that its joint rates from Piedra are almost uniformly 20 cents higher per ton for a two-line haul than for the same distance for a one-line haul on its own line. The evidence also indicated that the defendant, Southern Pacific Company, would be required to short-haul itself if compelled to equalize the rates from an off-line shipping point with rates from a shipping point local to its line.

Railroad Commissions generally, as well as the Interstate Commerce Commission, have recognized the principle that a two-line haul is entitled to a proportionately higher rate than a one-line haul.

In 33-I.C.C.163, in the case of Meridian Fertilizer Factory vs. A. & S. Railway Co., an arbitrary of 2 cents per 100 pounds for a two-line haul over a one-line haul was established. In that opinion it was stated the Commission has on various occasions recognized it is just and reasonable for two or more independent lines, not part of the same management or making up a through route, to charge a somewhat higher rate for a two-line haul than would be deemed reasonable for a single-line haul of equal distance.

In 28, ICC. 254, being a rehearing in the matter of Sheridan vs. C.B. & Q.R.R. in the above entitled proceeding, the Commission confirmed its previous conclusion allowing a higher rate for a two-line haul than for a one-line haul for distances within 500 miles.

In 39 I.C.C.124, the Commission says: "It is a well established principle of rate making that ton mile earnings properly may decrease as the length of the haul increases, and that ordinarily rates for a one-line haul may be lower than for a movement over two or more lines." The commodity involved in that proceeding was brick.

In 43 I.C.C.632, the Commission says: "Other things being equal, the rate for a two-line haul may properly be higher than the rate for a single-line haul \* \* \*".

In 44 I.C.C.669, the Commission says: "Ordinarily the rate for a one-line haul should be lower than the rate over a three-line route \* \* \*".

In 50 I.C.C.43, Royster Guano Company vs A.C.L.R.R.Co.: "Somewhat higher rates for hauls over routes composed of two or more lines not under a common management and control are reasonable".

The Commission, in the case cited immediately above, prescribed mileage rates for one-line hauls and for two-line hauls and used this language: "For hauls over two or more lines of railway that are not under the same management or control 20 cents per ton may be added to these rates". The commodity in the foregoing proceeding was fertilizer.

In 2 R.R.C.241, in 1913, this Commission refers to the contention of carriers that "where rates are to be made over two connecting lines is more expensive to the carriers in the aggregate than a single movement over one line between the same points."

Furthermore, a two-line haul rate that is less than a combination of locals is obviously less remunerative to either participating company than a haul local to one line. The revenue must be divided and in all cases when such two-line haul revenue is split, one or the other or both of the lines must shrink their locals. So the question resolves itself into: What is a reasonable additional charge for a two-line haul as compared to a one-line haul? An analysis of the joint rates contained in the tariffs filed by the various carriers with the Railroad Commission shows that almost invariably the joint rates are higher on rock, sand and gravel than are the local rates for the same distances, but not so high as a combination of locals.

Defendant, Southern Pacific Company's witness testified that the basis of division of rates between The Atchison, Topoka & Santa Fe and the Southern Pacific Company on business from Dwight is on a mileage pro rate, with a minimum of 23 per cent. As an illustration of the result of the application of such a basis: The distance from Dwight to Oakland is 6 miles; Oakland to Neroly 53 miles; through Dwight to Neroly 59 miles. The rate is 5 cents per 100 pounds, or \$1.00 per ton. On the above method of division the Atchison, Topoka & Santa Fe would receive out of the through rate of \$1.00 per ton 23 cents per ton and the Southern Pacific Company would receive the balance, or 77 cents per ton. Now, if the Southern Pacific Company were to receive its local it would receive on the mileage scale for 53 miles 80 cents per ton and the Santa Fe 60 cents per ton. If the rate were a combination of locals, based on the one-line mileage scale, the rate would be 60 cents per ton Dwight to Oakland and 80 cents per ton Oakland to Neroly, or a through rate of \$1.40 per ton as compared to a through rate based on the one-line mileage scale, plus



20 cents, or \$1.00 per ton.

Had the rate between Dwight and Meroly been constructed on the basis of combination of locals less the Kelly deduction, as referred to by complainant's witness at page 9 of the transcript, in this case, the rate would have been \$1.20 per ton. Had the rate been constructed in the manner suggested by the complainant, that of one-line mileage scale applied to the total distance plus 10 cents per ton, it would have been 90 cents, so it would appear that the present rate is at least a happy medium.

The defendant, Southern Pacific Company, filed an exhibit (Defendant Southern Pacific Company's Exhibit B) showing rates on crushed rock from Piedra to points in California on the Southern Pacific lines, compared with two-line haul rates in other territories for the same distance, in part as follows:

Rates in Dollars per Ton of 2000 Pounds							
From	To	Miles	Rate	From	To	Miles	Rate
Piedra	Blossoma	43	\$.90	Piedra	Gadwall	103	\$1.30
Oregon Distance rates			1.00	Oregon			1.60
Washington Distance rates			1.30	Washington			1.90
Iowa Distance rates			.956	Iowa			1.432
Memphis South-western Class E			3.60	Memphis			5.00
Piedra	Relka	56	1.00	Piedra	Turlock	119	1.30
Oregon Distance rates			1.10	Oregon			1.70
Washington Distance rates			1.40	Washington			2.00
Iowa Distance rates			1.08	Iowa			1.512
Memphis South-western Class E			3.90	Memphis			5.20
Piedra	Fargo	60	1.10	Piedra	Modesto	132	1.40
Oregon Distance rates			1.20	Oregon			1.90
Washington Distance rates			1.50	Washington			2.10
Iowa Dis. Rates			1.12	Iowa			1.592
Memphis S.W. Class E			3.90	Memphis			5.80

NOTE: Arbitrary for two-line haul:

Tariff Reference:

Oregon Distance Scale, 20¢ per ton	P.F.T.B. -----	30-D
Washington " " 20¢ " "	No. Pac. F.T.B. --	25-C
Memphis S.W. Class E " " 50¢ " "	W.T.L. Trf. -----	160

Southern Pacific proposes uniform 20¢ per ton. Mfs. Vol. 62, ICC-596

The following table shows the rate now in effect and illustrates the one-line haul mileage rate compared to the two-line haul joint rate:

Rates Shown are Published in P.F.T.E.-C.R.C.258.  
Rates in Cents per 100 Pounds. :

From	To	Route	Miles	Present Rate	One-Line Haul Mileage Scale
Bellota	Pittsburg	ST&E Ry & AT&SF	54	5	4
"	Tracy	ST&E Ry & SP Co	39	4	3
"	Escalon	ST&E Ry & IS Ry	40	4	3
"	Iyoth	ST&E Ry & WP RR	39	4	3
Dwight	Meroly	AT&SF & SP Co	59	5	4
Fair Oaks	Riverbank	SP Co & AT&SF	79	5 $\frac{1}{2}$	4 $\frac{1}{2}$
"	Merced	" "	119	6 $\frac{1}{2}$	5 $\frac{1}{2}$
"	Fresno	" "	177	8	7
Friant	Planada	" "	73	5 $\frac{1}{2}$	4 $\frac{1}{2}$
Solo	Turlock	" "	98	6	5
Terminus	Hardwick	Visalia Elec & SP	53	5	4
Fair Oaks	Oroville	Via SP Co.		# 5	5
"	Oroville	SP Co. & Sac.No.Ry	96	6	5
Piedra	Exanford	AT&SF & SP Co.	62	5	4 $\frac{1}{2}$
"	Dolano	" "	90	6	5
"	Buttonwillow	" "	155	7	6 $\frac{1}{2}$

# In Southern Pacific Co.C.R.C. 2673.

The complainant in this proceeding urges that the difference in freight rates has kept it out of important markets and that competitors whose rates were only slightly lower secured the business, thereby implying, at least, that to a greater or less extent the difference in freight rates represents the amount of its handicap. But the transportation rate is only one of the factors in a shipper's selling price; there are numerous other cost factors affecting the shipper's price in laying down his product at a certain destination. Fundamentally and most important of these factors is, probably, the cost of production, such as labor, and all of the other elements which combine to make up the cost of the commodity in question.

The cost of production was touched upon but little in the testimony, no figures were produced and the only evidence

running to ultimate cost of the product to the shipper was a statement that one of the quarries had to blast for its rock, while the other secured its raw material from a river bed.

The fact cannot be overlooked that though a plant is located at a distance from important markets, such location has, presumably, been selected advisedly and due consideration given to the question whether its remoteness from these markets is balanced by compensating economies not available near the destinations.

The evidence also indicated that there are large volume of shipments moving from quarries of the complainant, as well as its competitors, to the same general territory, and which we believe is indicative of the fact that the freight rate is not the only question involved in the securing of that business.

Since this case was submitted the Interstate Commerce Commission has rendered its report in Docket 13293, Reduced Rates 1922, reducing interstate freight rates in general throughout the country, including rock, sand and gravel, approximately 10 per cent.

This Commission has already had a conference with the carriers' representatives and has succeeded in having them agree to make the same reduction in state rates as are made in the interstate rates, to become effective July 1, 1922.

No substantial evidence was offered assailing the volume of the local or joint rates and nothing appears upon this record to indicate that complainant is in any way prejudiced or suffers any disadvantage in its business by reason of the rates attacked and if the complainant does suffer a handicap it is by virtue of its geographical location as related to its markets. This Commission has repeatedly held that it cannot equalize geographical locations or marketing conditions nor relieve commercial handicaps.

