

ORIGINAL

Decision No. 1779

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of )  
 the Southern Pacific Company for )  
 authority to increase certain class )  
 and commodity rates applying between )  
 San Francisco, San Jose, Oakland and )  
 Emery, Berkeley, San Leandro, San )  
 Ramon, Stockton, Lodi, Woodbridge, )  
 Valley Springs, Galt, Ione, Florin, )  
 Army Point, Napa Junction, South )  
 Vallejo, Napa, Trubody, Shellville )  
 Junction, Los Gatos and Felton and )  
 intermediate points. )

Application No. 855

In the matter of the application of )  
 the Western Pacific Railway Company )  
 for authority to increase certain )  
 class and commodity rates applying )  
 between San Francisco, Oakland, Niles, )  
 Lyoth, Lathrop, Stockton and Sacra- )  
 mento and intermediate points. )

Application No. 858

In the matter of the application of )  
 The Atchison, Topeka & Santa Fe Rail- )  
 way Company for authority to increase )  
 certain class and commodity rates ap- )  
 plying between San Francisco, Oakland, )  
 Richmond, Stockton, Riverbank and Oak- )  
 dale and intermediate points. )

Application No. 859

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Jackson Merchants Association, Intervenor.

- George D. Squires, for Southern Pacific Company.
- Allan P. Matthew, for Western Pacific Railway Company.
- E. W. Camp and P. P. Hastings, for The Atchison, Topeka & Santa Fe Railway Company.
- William E. Wheeler and Seth Mann, for San Francisco Chamber of Commerce.
- F. T. Westfall, for Lumber and Steel Companies.
- C. Clifford and A. A. Dennison, for Oakland Chamber of Commerce.
- D. T. Jenkins, for San Jose Chamber of Commerce.
- Geo. W. Ashley, for San Joaquin County Protective League, San Joaquin County Table Grape Growers Association and Ashley & Brown.

S. E. Semple, for Stockton Chamber of Commerce.

Ben Blow, for Napa Chamber of Commerce.

F. Allyn Orr, for Amador County Mine Owners.

George J. Bradley, for Sacramento Traffic Association.

ESHELMAN, Commissioner.

O P I N I O N

These applications are for authority primarily to make certain increases in the class rates between San Francisco and Stockton and secondarily to make an extensive readjustment in the class rates between points in so-called San Francisco Bay territory, also for authority to make certain changes in numerous commodity rates in that territory. The applications are quite voluminous and it is not practicable to fully <sup>to</sup> define or set out in this opinion the changes proposed. It will suffice if a few illustrations are given.

The Southern Pacific Company proposes to increase the present class rate scale between San Francisco and Stockton, as follows:

<u>Present Scale</u>										
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
10	10	9	9	7	7	6	5 $\frac{1}{2}$	5 $\frac{1}{2}$	5 $\frac{1}{2}$	

<u>Proposed Scale</u>										
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
18	16	14	12	11	11	9	8 $\frac{1}{2}$	8	6	

It also proposes to increase the class rates between San Francisco, Oakland, Alameda, Elmhurst and intermediate points, as follows:

<u>Present Scale</u>										
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
5	5	5	5	4	4	4	4	3 $\frac{1}{2}$	3 $\frac{1}{2}$	

<u>Proposed Scale</u>										
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
7	6	6	5	5	5	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$	

As will be noted this change effects an increase <sup>in the last scale</sup> only in 1st, 2nd, 3rd and 5th Classes and Class "A" and brings about no change in 4th Class and reductions are proposed in Classes B, C, D and E.

It also proposes to increase the class rates between San Francisco and Napa, as follows:

<u>Present Scale</u>									
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
13	9	8	7	6	6	6	6	5½	5½

<u>Proposed Scale</u>									
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
15	13	12	10	9	9	8	7½	7	7

and to make similar increases to other points on the Napa Branch.

This applicant also proposes to establish class rates between San Francisco, Oakland and San Jose and points intermediate to Stockton on the basis prescribed by the Commission in the San Joaquin Valley Case, which will have the effect of bringing about both increases and reductions.

This applicant also proposes to increase the class rates between Benicia, Crockett, Port Costa and San Jose, as follows:

<u>Present Scale</u>									
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
10	10	9	9	7	7	6	5½	5½	5½

<u>Proposed Scale</u>									
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
18	16	14	12	11	11	9	8	7	6

Increases in rates from points north of San Jose to points south of San Jose would be brought about by the increases in the rates to San Jose.

Increases are also proposed by this applicant in the class rates between points west of Stockton and points north thereof on the main line to but not including Sacramento and points on the Valley Springs and Ione Branches.

Substantially the same changes are proposed by The Atchison, Topeka & Santa Fe Railway Company and the Western Pacific Railway

Company, though naturally not as extensive as the changes proposed by the Southern Pacific Company, for the reason that these companies have fewer lines in this territory.

These applicants also propose to cancel many commodity rates on which there has been no movement and those applying on less than carload quantities and in certain cases to increase the present commodity rates and in other cases to advance the minimum carload rates applying in connection with certain commodity rates.

The Jackson Merchants Association of Jackson, Amador County, asked leave and was granted permission to file a petition in intervention praying that the application of the Southern Pacific Company be denied and that such other and further relief be granted as the Commission might find proper.

In justification of the changes proposed the applicants generally allege that the present rates are unremunerative and yield insufficient revenue to pay the bare cost of operation and that the class rates proposed are, in the great majority of cases, less than the class rates found reasonable by this Commission for similar distances in the San Joaquin Valley Case.

In support of its application the Southern Pacific Company introduced an exhibit to show that the cost of loading, switching, transferring, ferrying and car detention incident to the movement of less carload shipments between certain points in the Bay territory, - which items of expense constitute, so it alleges, but 10% of the entire operating expense, - is so great as to leave an insufficient margin to take care of other operating expenses. It was shown by this exhibit that on seventy-five cars loaded with less carload freight moving from Oakland Transfer to Livermore, Pleasanton, Martinez, Bay Point, Concord, Hayward, Stage, Hookston, Tracy and Port Costa, that there was an average gross revenue of \$10.93 per car and an average cost per car of \$6.24 for loading, switching, transferring and car detention, and a net revenue of but \$4.69 per car - after deducting these located costs, to take care of 90% of the operating

expense incident to the transportation of this traffic. The petitioner contends that the instances cited are fairly typical and present the general condition and that the showing demonstrates that the present revenue is inadequate.

In justification of its application the Western Pacific Railway Company submitted similar exhibits to show the inadequacy of the earnings on less carload freight. This exhibit covers eighteen cars moving from its Eighth and Brannan Street depot in San Francisco to Stockton on the first three days of the months of July, August, September, October, November and December, containing a total of 136.5 tons of less carload freight. The gross earnings on this freight were \$278.92, or an average earning per car of \$15.51, the average loading of which was 7.6 tons and the haul approximately ninety-four miles. The average rate per ton mile was .022 cents and the average rate per ton \$2.04. A similar showing was made by taking all carloads of less carload freight forwarded from San Francisco to Stockton during the months of January and February, 1914. In this instance the average revenue per car was shown to be \$11.90 during the month of January and \$12.38 during the month of February, and the average loading per car approximately six tons during each month. The average rate per ton per mile was .02 in January and .021 in February. This applicant also introduced an exhibit showing the rates charged for distances throughout the United States similar to the distance between San Francisco and Stockton and in every case the San Francisco-Stockton rates were shown to be considerably less than the rates for similar distances elsewhere and the witness for this applicant testified in this regard that he had made an examination of many tariffs and had been unable to find anywhere in the United States rates for the transportation of freight on steam railroads as low for a distance of ninety-four miles as obtained between San Francisco and Stockton.

The Atchison, Topeka & Santa Fe Railway Company in support of its application introduced exhibits showing information similar to that submitted by the other applicants. Its Exhibit No. 1 shows that the increase in the class rates proposed would not bring about material increases in the revenues accruing to its line from less carload traffic. It was shown that on the less carload shipments forwarded from San Francisco to Stockton, Oakland and points between, on January 27th and January 30th, contained in seventeen cars, the increase in revenue would approximate less than 55 cents per car and that similar increases would result in the revenue from less carload traffic between other points if rates proposed were authorized.

To support this petitioner's contention that the present less than carload rates are unremunerative, it also introduced an exhibit showing that on sixty-one cars of less than carload freight forwarded from San Francisco to Stockton and intermediate points during the period from January 2nd to January 10th, 1914, the gross revenue per car averaged but \$6.76; the handling cost per car averaged \$3.16 and after deducting five cents per ton for State toll the net revenue per car averaged but \$3.38. The handling cost covered nothing but the stevedoring and warehousing expense. For the handling cost an average of 71 cents per ton was arrived at by taking the average cost per ton for loading less carload freight at San Francisco for six months and the average cost for loading and unloading less carload freight at Oakland, Richmond, Stockton and Antioch for the same period. It was likewise shown by this exhibit that on twenty-six cars of less carload freight forwarded from Oakland to San Francisco, Richmond, Stockton and intermediate points, during the period from January 2nd, to January 10th, 1914, that the gross revenue per car averaged \$5.50 per car; that the handling cost averaged \$2.12 per car and that the revenue after deducting handling cost averaged but \$1.48 per car. A similar showing was made in con-

nection with less carload shipments from Stockton; that during the period of January 2nd to January 10th, inclusive, on twenty cars of less carload freight forwarded to Oakland, San Francisco and points between, the gross revenue averaged but \$4.32 per car; that the handling cost averaged \$2.12 per car and the net revenue averaged \$2.20 per car. Similar results were shown in connection with the handling of carload freight from Richmond and Antioch. For instance,-- it was shown that on twenty cars of less carload freight forwarded from Antioch to San Francisco, Oakland, Stockton and points, between, during the period from January 2nd to January 10th, 1914, inclusive, that the average gross revenue per car was approximately the same as the average handling cost per car. The contention of the carrier is that the handling cost represents but a small proportion of the total operating cost and if the revenue is hardly adequate to pay for the cost of handling, it is obviously inadequate to take care of the entire operating cost.

The fact that the rates which the applicant seeks to have established are lower than the rates found reasonable by the Commission in the San Joaquin Valley Case, for similar distances, is not conclusive. The comparative conditions surrounding the operations of the carrier in the respective territories, and other such matters, would have to be fully presented to the Commission before it could conclude that an increase to the San Joaquin Valley scale for similar distances was or was not justified. This was not done. However, the comparison of the proposed rates with the rates fixed in the San Joaquin Valley Case and charged elsewhere in the United States for similar distances should be given some weight.

The showing made by the petitioners as to the cost of performing loading and switching service while not absolutely demonstrating that the present revenue is inadequate <sup>to</sup> fully compensate for the service is sufficient, in my opinion, to support the conclusion that the class rates between Stockton and San Francisco are unremuner-

ative. I am of the opinion that the application of the petitioners should be granted in part; and that the petitioners should be authorized to increase the class rates between San Francisco and Stockton, as proposed, but that no increases should be made in the rates to points north of Stockton - other than such increases as are brought about by the extension of the 18¢ scale into that territory so as to avoid establishing at Stockton rates violative of the long and short haul provision of the Constitution and the Public Utilities Act.

As to the numerous adjustments proposed between points west of Stockton, the Commission is not in a position to pass on the merits of the rates proposed by the applicants. Numerous inconsistencies appear in the rates proposed, which the following examples plainly illustrate:

<u>Between</u>	<u>And</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
San Francisco	Stockton	18	16	14	12	11	11	9	8½	8	6
Crockett	do	18	16	14	12	11	11	8	7	6	5
Benicia	do	18	16	14	12	11	11	9	8½	8	7½
So. Vallejo	do	18	16	14	12	11	11	9	8½	8½	8½
Niles	do	18	16	14	12	11	11	9	8	7	6
Bay Point	do	18	16	14	12	11	11	8	6	5	5

Some inconsistencies will be found in many other proposed rates. The Commission now has before it the matter of readjusting the entire scheme of class rates from San Francisco into the Sacramento Valley and because of the contentions of various jobbing centers it is apparent that the Commission must proceed with an investigation into the adjustment of rates not only from San Francisco but between all intermediate points in order that whatever adjustment is made should clarify the entire situation.

Therefore, for the present, I am not inclined to attempt to pass on the merits of the applications other than to permit the <sup>class</sup> rates between San Francisco and Stockton to be increased in the manner



heretofore mentioned in this opinion. Such minor adjustments as are necessary to bring the rates within the requirements of the long and short haul clause of the Constitution or the prohibition against rates exceeding combination of locals may be made after an informal conference with the rate department.

The applicants have submitted no satisfactory evidence in justification of the proposed increase in numerous commodity rates. The simple statement by witnesses for the applicants that they considered the rates too low does not justify the increases proposed as contemplated by the Public Utilities Act. Many of the commodity rates may be either too high or too low but certainly the record does not disclose evidence sufficient to determine the fact.

The Commission will consider applications for an adjustment of commodity rates when filed in such a manner as will enable it to determine the reasonableness of each specific commodity rate. As to those rates covering commodities which have not moved, the same may be canceled in the usual way by filing an affidavit that there has been no movement for a period of one year and securing the Commission's informal authority to cancel the same.

I submit the following order:

O R D E R

Southern Pacific Company, Western Pacific Railway Company, and The Atchison, Topeka & Santa Fe Railway Company having applied to this Commission for permission to increase certain class and commodity rates and a regular hearing having been held and the Commission being fully apprised in the premises

IT IS HEREBY ORDERED, that the Southern Pacific Company, Western Pacific Railway Company and The Atchison, Topeka & Santa Fe Railway Company be and are hereby authorized to publish and file in tariff to become effective within twenty (20) days from date of this order the following class rates between San Francisco and Stockton:

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
18	16	14	12	11	11	9	8 $\frac{1}{2}$	8	6

and to advance such rates to points beyond the City of Stockton in order to bring the rates herein authorized to Stockton within the provisions of the Long and Short Haul clause of the Constitution.

IT IS FURTHER ORDERED as to proposed advances in rates contained in the Applications Nos. 855, 858 and 859 the same be and are hereby denied without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of September, 1914.

John W. Cashman  
H. H. Loveland  
Alex Gordon

Commissioners.