

- BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA -

In the matter of the application of the Southern Pacific Company for an order granting permission to increase the rates on cotton and cotton linters from Calexico to Los Angeles, and San Pedro, and from Calexico and Glamis to San Francisco.

Application No. 1306

APPEARANCES

- Geo. D. Squires, representing the Applicant,
- E. P. Riggle, representing the Imperial Valley Cotton Growers Association,
- L. S. Atkinson, representing Munoprio & Company, and the Imperial Valley Shippers,
- J. J. Chappell, representing the farmers and land owners,
- Albert Lee Stephens and C. B. Penn, representing the City of Los Angeles.

EDGERTON, COMMISSIONER:

OPINION

Southern Pacific Company maintains the following rates on Cotton and Cotton Linters from Glamis and Calexico to Los Angeles, San Pedro and San Francisco:

| ARTICLE | FROM | TO | RATE IN CENTS PER 100 LBS. |
|---|--------------------|--------------------------|----------------------------|
| Cotton and Cotton Linters, in bales, uncompressed, minimum carload weight 20,000 lbs. | Calexico | Los Angeles San Pedro | 40¢ |
| Cotton, in bales, uncompressed, minimum carload weight 16,000 lbs. | Glamis | Los Angeles | 50¢ |
| Cotton, in bales, uncompressed, minimum carload weight 16,000 lbs. | Calexico Glamis | San Francisco | 65¢ |

By this petition it seeks authority to change these items in the following manner and to publish the following rates:

| ARTICLE | FROM | TO | RATE IN CENTS PER 100 LBS. |
|--|--------------------|--------------------------|-------------------------------|
| Cotton and Cotton Linters, in bales, uncompressed, minimum carload weight 20,000 lbs. | Calexico Glamis | Los Angeles San Pedro | 50¢ |
| Cotton and Cotton Linters, in bales, uncompressed, minimum carload weight 20,000 lbs. | Calexico Glamis | San Francisco | 65¢ |

These changes if authorized would have the effect of increasing the rate on uncompressed Cotton from Calexico to Los Angeles and San Pedro from 40¢ to 50¢ per 100 lbs. and advancing the minimum carload weight on uncompressed Cotton from Calexico and Glamis to San Francisco, and from Glamis to Los Angeles and San Pedro, from 16,000 lbs. to 20,000 lbs. The rate which the applicant seeks to increase was established by the Commission in Case 463, Chappell vs Southern Pacific Company.

If permitted to make the changes proposed in the rates and minima applying on uncompressed cotton, the applicant states that it contemplates establishing at the same time the following rates on compressed Cotton:

| ARTICLE | FROM | TO | RATE IN CENTS PER 100 LBS. |
|--|--------------------|--------------------------|-------------------------------|
| Cotton, and Cotton Linters, in bales, compressed to a den- sity of 22½ lbs. per cu. ft., minimum car- load weight 32,000 lbs. | Calexico Glamis | Los Angeles San Pedro | 40¢ |
| Cotton, in bales, com- pressed to a density of 22½ lbs. per cu. ft., minimum carload weight 32,000 lbs. | Calexico Glamis | San Francisco | 55¢ |

These proposed changes would effect a reduction of 10 cents per 100 lbs. in the rate on Cotton, compressed to a density of 22½ lbs. per cubic foot in carload lots of 32,000 lbs. from Glamis to Los Angeles and San Pedro and from Calexico and Glamis to San Francisco. However, no corresponding reduction would be brought about in the rate on Cotton, compressed to a density of 22½ lbs. per cubic

foot from Calexico to Los Angeles and San Pedro, as under the present rate adjustment it would be transported at the rate of 40¢ per 100 lbs.

The carrier also states that, as the greater part of the California Cotton crop will find its market in the Orient and be transported thereto by ocean carriers from the California ports to which the rates apply, and will in the interest of economy be compressed before being shipped by such carriers because of the difference in the ocean rates on the compressed and uncompressed Cotton, amounting to practically \$5.00 per ton, the only effect of the increase in the rate and minimum on uncompressed Cotton will be to induce shippers to compress the Cotton at or near the point of its production to the density required thereby enabling them to ship the Cotton at the lower rate it proposes to establish on compressed Cotton and to secure to the carrier an increase in the car loading of approximately 12,000 lbs.

It is alleged by the petitioner that the rates and minima which it seeks to increase are too low for the service rendered in transporting this commodity between the points specified, and in support of this allegation it submits comparisons with rates for the transportation of Cotton similar distances in the State of Texas. Taking the rate of 51¢ per 100 lbs. applying on Compressed Cotton from Austin to Galveston, Texas, a distance of approximately 215 miles, in connection with the alleged average loading of 32,000 lbs. to 34,000 lbs. per car, it calculates that the car mile earning on Cotton for this distance in Texas, after deducting 10 cents for compression, approximates 61¢ to 64¢, whereas the average car mile earning on all commodities transported in Texas during the year ending June 30, 1913, was but 17.32 cents. These earnings per car mile the petitioner contrasts with the earnings on Cotton from Calexico, as a typical shipping point, to San Pedro, a distance of 250 miles, upon a minimum carload of 20,000 lbs. at the proposed rate of 50 cents per 100 lbs., which approximates 40 cents per car mile and with the average car mile earnings on all commodities on

the entire Southern Pacific Company system, of 21 cents. In this connection it urges that the rates in Texas are abnormally low as a result of continued reductions by the regulating body of that State and that the Cotton tonnage in Texas is very large, in fact, contributes more tonnage to the total traffic of the State than any other single commodity; whereas in California the Cotton tonnage constitutes but a small proportion of the total tonnage carried and in relation to the tonnage of Cotton transported in Texas is inconsiderable. From these facts petitioner concludes that the comparison of the car mile earnings on Cotton of itself and when considered in relation to the car mile earnings on all commodities in the respective states demonstrates that the rates in California are too low. The petitioner also contends this Commission erred in establishing the rate of 40¢ per 100 lbs. on Cotton from Calexico to San Pedro and Los Angeles, which the petitioner here seeks to increase, insofar as the average car mile earnings on the entire Southern Pacific System were taken to measure a reasonable rate on Cotton from Calexico to San Pedro.

Representatives of Imperial Cotton growers and shippers of the City of Los Angeles appeared at the hearing in opposition to the proposed changes. The City of Los Angeles contends that the present rates on uncompressed Cotton from Calexico to Los Angeles and San Pedro are not low when considered in relation to the present rates on that commodity from Calexico to San Francisco, the distance from Calexico to San Pedro being approximately 250 miles whereas the distance from Calexico to San Francisco is 695 miles, in part over a considerable mountain range. The applicant alleges in this connection that the rate from Calexico to San Francisco is abnormally depressed because of water competition between San Pedro and San Francisco and in no sense should be a measure for the rate to Los Angeles and San Pedro and that it is necessary to maintain a lower rate relatively to San Francisco to secure for its line the long haul into that port.

The growers and shippers of the Imperial Valley also contend that if the carrier is permitted to increase the rate on uncompressed Cotton from Calexico to Los Angeles and San Pedro and thereafter to apply the present rate only on Cotton compressed to a density of $22\frac{1}{2}$ lbs. per cubic foot and thereby force the shippers to compress their cotton before shipping it in order to enjoy that rate of transportation the carriers should be required to establish concurrently with the rates on compressed cotton, rules relating to its compression similar to those obtaining in other cotton growing sections whereby the compress operators would be made liable for any excess in freight charges due to their failure to compress the cotton sufficiently to entitle it to the lower transportation rate. Protestants state that they have no means of enforcing compress operators to compress the Cotton to the required density as the operators will not always agree to such a condition and that the carrier is in a position to enforce such a liability by a rule in its tariff. These protestants also urge that the carrier be required to adopt other rules similar to those in effect on other lines in Cotton shipping sections relating to the concentration of Cotton and the issuance of bills of lading therefor.

The rate of 51¢ per 100 lbs. applicable on Cotton from Austin to Galveston, Texas, on which petitioner predicates the typical car mile earnings in Texas for a distance similar to that between Calexico and San Pedro is a blanket rate prescribed by the Railroad Commission of the State of Texas for the transportation of Cotton in any quantity for any distance greater than 210 miles. It includes and covers all switching, loading, unloading, or terminal charges incidental to the transportation of the Cotton to the Texas ports in addition to the allowance of 10¢ per 100 lbs. for compression. The rate from Calexico to San Pedro is a maximum net rate between those points. It does not cover the cost of loading or unloading the Cotton and applies only on a minimum carload of 20,000 lbs.

It appears clear to me that the car mile earnings on the

Texas rate for the single distance of 215 miles does not reflect the average result in car mile earnings on this rate. The relatively high car mile earnings shown on this rate might be materially reduced if averaged with the car mile earnings for greater distances to which the same rate also applies. In fact, this is true of all so-called blanket rates, the nearby territory falling within a "blanketed" zone contributing the greater earnings to compensate for the lower earnings to distant territory in such zones. On the other hand the distance from Callexico to San Pedro is the maximum distance over which the rate of 40¢ per 100 lbs. extends, and car earnings thereon would represent the minimum car earnings on that rate.

In view of these circumstances, I am of the opinion that the comparison does not reflect the same conditions or conclusively indicate that the rate from Callexico to San Pedro is unduly low. Nor am I inclined to concede as the petitioner suggests, that the Texas rates are abnormally low. The same presumption of reasonableness attaches to rates established by a State Commission as to rates voluntarily established and maintained by carriers.

Under all the circumstances, I am of the opinion that the applicant has failed to sustain the burden of justifying the proposed increase in the rate on uncompressed Cotton from Callexico to Los Angeles and San Pedro, and that its petition in that respect should be denied.

The protestants do not dispute that the proposed minimum of 20,000 lbs. can be loaded under the present method of packing and shipping Cotton without hardship, and I therefore recommend that the petition, insofar as it seeks to increase the minimum carload weight on Cotton and Cotton Linters, in bales, uncompressed, from Calexico and Glamis to San Francisco and from Glamis to Los Angeles and San Pedro from 16,000 to 20,000 lbs. be granted, conditioned upon the applicant's reducing the rate on uncompressed Cotton from Glamis to San Pedro and Los Angeles from 50¢ to 40¢ per 100 lbs.

In this proceeding, which is an application under Section 65 of the Public Utilities Act for authority to make certain increases in rates and minima, the jurisdiction of the Commission is confined to determining from the evidence whether the proposed increases are justified and having determined that question it may not independently grant the affirmative relief sought by certain protestants herein. It would be useless, therefore, to consider whether in a proper proceeding the carrier can be required to establish the rules relating to the compression and concentration of Cotton which the protestants desire.

I recommend the following form of order:

O R D E R.

Southern Pacific Company having filed its application for authority to increase its rate for the transportation of uncompressed Cotton, carloads, from Calexico to Los Angeles and San Pedro from 40¢ to 50¢ per 100 lbs. and to advance the minimum carload weight on uncompressed Cotton from Calexico and Glamis to San Francisco and from Glamis to Los Angeles and San Pedro from 16,000 lbs. to 20,000 lbs. and a hearing having been held on said application and a full investigation of the matters and things involved having been made and the Commission finding that the

Southern Pacific Company has failed to justify the proposed increase in rates, but should be granted authority to increase the minimum carload weight as proposed;

IT IS HEREBY ORDERED that Southern Pacific Company be and it ~~xxxx~~ is hereby authorized to increase the minimum carload weight on uncompressed Cotton from Calexico and Glamis to San Francisco and from Glamis to Los Angeles and San Pedro from 16,000 lbs. to 20,000 lbs. upon the condition that the rate on uncompressed cotton from Glamis ^{to} San Pedro and Los Angeles be reduced from 50¢ to 40¢ per 100 lbs. concurrently with the increase in the minimum carload weight hereby authorized; and

IT IS FURTHER ORDERED that as to all other matters the application of Southern Pacific Company be and the same is hereby denied.

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 11th day of January, 1915.

Max Shelton
Alfred Gordon
Edwin C. Edgerton

Commissioners.