

Decision No. 24.

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

ORIGINAL

Decision No. 24

IN THE MATTER OF THE INVESTIGATION OF JOINT
RATES SUBMITTED BY THE WESTERN PACIFIC RAIL-
WAY COMPANY (a corporation) and NEVADA-
CALIFORNIA-OREGON RAILWAY (a corporation)
in PACIFIC FREIGHT TARIFF BUREAU JOINT FREIGHT
TARIFF 44 A.

Case No. 118.

DECISION OF COMMISSION

This investigation covers the joint rates submitted by the Western Pacific Railway Company and the Nevada-California-Oregon Railway in Pacific Freight Tariff Bureau Joint Freight Tariff 44a. This tariff was submitted to the Commission for establishment February 10, 1911. In it many reductions in rates were proposed to and from all points on the Nevada-California-Oregon Railway but to Alturas some advances in certain carload rates were proposed.

The Commission established this tariff, with the exception of the proposed increases, which it rejected pending an inquiry as to their reasonableness.

The investigation of the Commission developed the fact that the benefits derived by the shippers, by reason of the reduction in rates proposed by this tariff largely exceeded the additional charges they will be required to pay on their carload rates on a few commodities. More than fifty per cent of all traffic affected by this tariff handled by the Western Pacific Railway moves in less than carload lots under the first, second, third and fourth class rates.

Prior to the building of the Western Pacific Railway, the rates from San Francisco to Alturas were very much higher than at present. We submit herewith comparisons of class rates:

| | | | | | |
|--|--|-----|-----|-----|-----|
| | | 1 | 2 | 3 | 4 |
| (a) Prior to building of Western Pacific | | 225 | 225 | 225 | 225 |
| (b) On completion of W P Ry reduced to | | 180 | 164 | 147 | 127 |
| (c) Rates now proposed | | 157 | 136 | 125 | 107 |

| | | | | | | | |
|-------|------------|-------------------|-----|-----|-------------------|------------------|------------------|
| | Rate: | 5 | A | B | C | D | E |
| (a)) | | 218 $\frac{1}{2}$ | 211 | 128 | 120 $\frac{1}{2}$ | 96 $\frac{1}{2}$ | 96 $\frac{1}{2}$ |
| (b) (| (as above) | 108 $\frac{1}{2}$ | 101 | 73 | 71 | 58 | 58 |
| (c)) | | 95 | 95 | 80 | 75 | 61 $\frac{1}{2}$ | 61 $\frac{1}{2}$ |

The record in this case shows that, during the period the Western Pacific Railway was in operation in 1910, from May to December, there was shipped over that road to Alturas 1,806,228 pounds of less than carload merchandise under the first four classes. This tonnage, moving prior to the building of the Western Pacific, would have cost the shippers approximately \$40,000. The Actual charges collected, due to reduction in rates when the Western Pacific Railway commenced operation, were \$27,634.73, a saving to the shippers of about \$12,400. This new tariff proposes to reduce those rates so that a further saving on this same volume of traffic would amount to \$4,302.91.

The carload traffic moving under five class rates during the period mentioned amounted to 212,557 pounds. At rates in effect prior to building of the Western Pacific Railway, the freight on this business would have been \$4,635.31. The charges collected, however, due to reduction in rates after the Western Pacific commenced operations, was \$2,297.53, a saving to the shippers of \$2,337.78, and under the proposed tariff, the charges on this same volume of traffic will be further reduced by \$408.93.

The advances in rates proposed by the carriers are almost entirely confined to commodity rates. A glance at the statement below will reveal the fact that, during the period from May to December, 1910, the Western Pacific Railway and the Nevada-California-Oregon Railway jointly handled to Alturas commodities on which the rates are proposed to be slightly increased amounting to 1,400,181 pounds.

| Commodity | Weight | Charge before W.P. was constructed. | Comparison with Western Pacific proposed schedule No. 44a. | | Comparison with Western Pacific present No. 44. | |
|-------------------------|------------------|-------------------------------------|--|---|---|-----------------------------------|
| | | | Charges | Decrease as compared with charge before WP By was built | Old charges | Decrease as before W.P. was built |
| Agricultural implements | 143,580 | 2368.41 | 1276.67 | 1091.74 | 1408.72 | 959.69 |
| Bags and baggage | 24,970 | 561.80 | 235.42 | 328.38 | 187.22 | 374.58 |
| Canned goods | 205,302 | 3387.48 | 2155.68 | 1231.80 | 1950.38 | 1437.10 |
| Chocolate | 1,733 | 39.00 | 23.32 | 15.68 | 24.25 | 14.75 |
| Crackers | 31,908 | 717.93 | 431.40 | 286.53 | 430.89 | 387.04 |
| Explosives | 199 | 9.00 | 4.00 | 5.00 | 3.46 | 5.54 |
| Extract | 3,853 | 86.69 | 60.26 | 26.43 | 59.40 | 27.29 |
| Flour | 41,285 | 335.45 | 334.40 | 1.05 | 309.64 | 25.81 |
| Leather | 7,602 | 171.05 | 115.90 | 55.15 | 102.35 | 68.70 |
| Mineral water | 170 | 3.83 | 2.12 | 1.71 | 1.87 | 1.96 |
| Olive oil | 1,379 | 31.03 | 21.65 | 9.38 | 23.51 | 7.52 |
| Salt | 62,960 | 458.03 | 387.20 | 70.83 | 362.02 | 96.01 |
| Seed | 33,996 | 730.90 | 424.95 | 305.95 | 311.06 | 419.84 |
| Sugar | 423,384 | 6985.84 | 3658.62 | 3327.22 | 3231.63 | 3634.21 |
| Syrup | 65,474 | 1080.32 | 556.53 | 523.79 | 491.01 | 589.31 |
| Tea | 7,041 | 158.42 | 110.54 | 47.88 | 119.75 | 38.67 |
| Wire nails | 250,140 | 4127.31 | 2337.88 | 1789.43 | 2139.82 | 1987.49 |
| Wool | 95,205 | 1261.49 | 1190.07 | 71.42 | 1213.86 | 47.63 |
| | <u>1,400,181</u> | <u>22513.98</u> | <u>13324.61</u> | <u>9189.37</u> | <u>12390.84</u> | <u>10123.14</u> |

The freight charges on this traffic prior to the construction of the Western Pacific Railway, at the rates that were then in effect, would have been \$22,513.98. The actual charges collected, however, due to the reduction in rates after the Western Pacific began operation, was \$12,390.84, or a reduction of \$10,123.14.

It is now proposed to increase these rates and the total increase on these commodities for the same period will amount to \$933.77. Comparing the rates in effect prior to the construction of the Western Pacific, it will be seen that the proposed rates on these commodities result in a decrease in the charges of \$9,189.37.

Viewing this entire situation, it appears that the volume of traffic handled by the Western Pacific and Nevada-California-Oregon Railway during the period mentioned on both class and commodity rates resulted in a saving to the shippers of approximately \$44,860 over what would have been collected had the traffic moved at the rates in effect over the Southern Pacific and Nevada-California-Oregon Railway by way of Reno, Nevada.

It seems safe to say that, since the Western Pacific began operations and the reduced rates became effective via that line, as well as via the Southern Pacific, the saving to the shippers of Alturas has been at least \$100,000 per annum.

The Commission does not wish to be understood as holding that, by reason of the fact that a road has reduced its rates, shippers and consumers may not be accorded even lower rates, if the facts justify, but we are merely pointing out the fact that, by reason of the voluntary act of the carriers in this instance, the section involved has been greatly benefited, and the Commission is not in position to gainsay the assertion of the representatives of the Western Pacific Company that, by reason of the fact that their road is newly constructed, traversing an undeveloped country, the rates on the volume of business handled by them do not yield a fair return upon the investment.

The question raised by counsel for the Alturas shippers, as to whether or not a locality should be burdened with paying excessive rates on railroads built to a section from which the possible traffic would not yield a return on the investment, is not here in question, because of the fact that, as has been pointed out herein, the extension of the Western Pacific to this territory has served to lessen the burden which was theretofore upon the shipper and consumer of Alturas and vicinity.

We are not unmindful of the fact that the reductions in the tariff proposed are to a great extent forced by reason of the Interstate Commerce order reducing rates by way of the Southern Pacific to Nevada points, and we are not inclined, under ordinary circumstances, to permit a carrier to recoup losses in revenue occasioned by a reduction on one class of freight by increases on other classes; nor do we feel that this decision brings about such a result or would be precedent for such a practice. The slight increases in this tariff are brought about by the following facts:

Ordinarily, rates to such points as Alturas would be made

up of the lowest combination of locals, of the Western Pacific to Leigan plus the local rates of the Nevada-California-Oregon thence to Alturas. Freight teams, however, began operation from Gorlach, which is a station on the main line of the Western Pacific Easterly from the junction of the Nevada-California-Oregon Railway with the Western Pacific, to Surprise Valley points, and to protect their business and to insure the movement of traffic, not from Gorlach by teams to Surprise Valley points but by way of its line from Leigan to Alturas, the Nevada-California-Oregon Railway insists that the rates to Alturas shall not be greater than thirty cents per hundred higher than the Gorlach rate, in order, as has been said, that their Company may haul the Surprise Valley freight to Alturas, to be teamed thence to Surprise Valley, instead of permitting the entire tonnage to move by way of team from Gorlach, as no doubt the Western Pacific would much prefer. In this way, the Alturas shippers receive the benefit of an arbitrary rate from Leigan to Alturas which is very much lower than the local rate of the Nevada-California-Oregon Railway, and are thus benefited by the competition for the Surprise Valley business.

Concerning the route over which freight may be transported, this Commission is not interested, so long as the shippers and consumers are accorded the lowest possible rate consistent with a reasonable return to the carrier on its investment, but this matter has been considered somewhat in detail in order that the fact may be patent to the people of Alturas that the conditions sought to be imposed really result in a double benefit to that section; first, an actual reduction in their freight charges when all classes are considered, and second, a deflection of a greater part of the business through the city of Alturas consigned to points beyond.

Pending an inquiry as to the actual value of the property of the various carriers and the volume of business, it is impossible for this or any other Commission finally to determine the main question as to the reasonableness of any rate. The method heretofore

in vogue has been that of comparison, but of course, no comparison can shed any light upon the reasonableness of the rate compared, unless the reasonableness of the rate with which it is compared is known. Thus it is idle to say that a certain rate for a given commodity over a given distance is high or low, because of the fact that it is higher or lower than the rate for a similar commodity over a similar distance and haul in effect elsewhere, unless the rate to which it is compared is known to be a reasonable rate. Therefore, rates must for the time being be made practically in the dark, except for such light as unsatisfactory comparisons will afford.

The Western Pacific, as has already been pointed out, urges that its rates are not compensatory, and in support of this fact, submits numerous comparisons with other rates in effect on other lines, and also calls attention to the fact that its line, being a new one, traverses a practically undeveloped section. We here insert some of the comparisons submitted:

While not agreeing that these comparisons are in all respects fair ones, yet they reasonably illustrate the fact that, even in those comparatively few instances where the Western Pacific desires to increase its rates, it at least is not asking more than other roads ask for a similar service, and until we are in a position to say that the other roads are charging too much, or we have considered the value of the property of the Western Pacific and its total traffic, we cannot go behind these figures.

Taking into consideration, therefore, the fact that the schedule which we are asked to establish, taken as a whole, means large reductions, and that the rates therein, as compared with other rates on lines long established, are not excessive, this Commission is not in a position to hold that the rates sought to be put in are more than compensatory, and therefore orders the schedule established, to become effective five (5) days after filing tariff with the Commission.

John W. Eschleman
W. D. Howard
W. D. Gordon

Commissioners.

Dated May 10, 1911.