

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Application No. 1775

Decision No. 2874

In the matter of the application of the Modesto & Empire Traction Company for authority to increase class and commodity rates applying between Modesto and Empire.

E. L. Dennet, for applicant,
E. H. Zion, for Tuolumne Lumber Company.

GORDON, Commissioner.

O P I N I O N

Applicant, the Modesto and Empire Traction Company, hereinafter referred to as the Traction Company, is a common carrier under the Public Utilities Act and was organized October 7, 1911, under the laws of the State of California. It operates between Modesto and Empire, a distance of five miles, and transports freight and passengers locally, also traffic under joint arrangements in connection with the Atchison, Topeka & Santa Fe Railway Company, hereinafter designated the Santa Fe.

The Traction Company alleges that the revenue derived from its local freight traffic is insufficient to meet operating expenses and seeks authority to increase the class rates and certain commodity rates between Empire and Modesto, terminal points, also between the terminals and Riverside Park, a newly established station.

The following table shows the present rates and those proposed:

CLASS RATES IN CENTS PER 100 POUNDS

BETWEEN

MODESTO, CALIFORNIA

AND

EMPIRE, CALIFORNIA.

CLASS	1	2	3	4	5	A	B	C	D	E
PRESENT	6	5	5	4	4	4	3	2½	2½	2½
PROPOSED	15	15	12	11	10	9	7	6	5	5

COMMODITY RATES IN CENTS PER TON OF 2000 LBS.

COMMODITY	LIME PLASTER CEMENT GYPSUM	GRAVEL SAND CRUSHED ROCK	LUMBER	COAL
PRESENT	25	15	55	25
PROPOSED	50	40	50	50

BETWEEN

RIVERSIDE PARK, CAL.

AND

MODESTO, CAL. OR EMPIRE, CAL.

CLASS	1	2	3	4	5	A	B	C	D	E
PRESENT	6	5	5	4	4	3	3	2½	2½	2½
PROPOSED	7½	6½	6	5½	5	4½	3½	4	2½	2½

COMMODITY RATES IN CENTS PER TON OF 2000 LBS.

COMMODITY	LIME PLASTER CEMENT GYPSUM	GRAVEL SAND CRUSHED ROCK	LUMBER
PRESENT	25	15	55
PROPOSED	25	25	*25

*REDUCTION

A statement of the operating revenue and expenses for six months, October, 1914, to March, 1915, inclusive, made part of the application, shows an operating deficit of \$1940.96, or an approximate operating loss of \$3900.00 for twelve months.

This amount may be accepted as substantially correct as illustrated by figures taken from the annual reports filed with this Commission:

Fiscal Year Ending	Operating		Deficit
	Revenue	Expense	
* June 30, 1912	\$5,161.76	\$6,837.28	\$1,675.52
" 30, 1913	10,593.00	15,498.79	2,905.79
" 30, 1914	<u>11,545.80</u>	<u>16,328.58</u>	<u>4,782.78</u>
Total	\$27,300.56	\$36,664.65	\$9,564.09

*Oct. 24, 1911, to June 30, 1912.

In addition to the foregoing there was filed as an exhibit a statement of the entire earnings and expenses for twelve months, July 1, 1914, to June 30, 1915, inclusive, showing a deficit for that period of \$6,702.61. The purpose of this exhibit is to substantiate applicant's contention that the loss is largely due to the inadequacy of its local freight rates. In arriving at a conclusion, the earnings as between local and interline freight and passenger traffic is segregated, allocated expenses deducted and the balance apportioned on a revenue percentage basis. A recapitulation of the exhibit follows:

	Freight		Passenger		Total
	Local	Interline	Local	Interline	
Earnings	\$1,660.68	\$5,237.59	\$5,706.62	\$796.15	\$9,401.02
Expenses	2,874.19	5,593.08	6,282.57	1,553.79	16,103.63
Deficit	1,213.51	2,355.49	2,575.95	557.64	6,702.61

Applying the proposed rates to the tonnage moved locally under the various class and commodity rates for the six months ending April 30, 1915, as per a statement submitted at the hearing, the increase in revenue would be but \$532.50 or \$1065.00 for the twelve months, thus reducing the local annual freight deficit from \$1215.51 to \$148.51, and the total annual deficit from \$6702.61 to \$5657.61. It will thus be seen that the proposed increases in the local freight rates will afford the Traction Company but little relief.

The testimony shows that 66-2/5 per cent of the total freight tonnage is handled under joint rates with Santa Fe and that the Traction Company's proportion is less than its locals ranging from 1/2 cent to 4 cents per hundred pounds. This arrangement is apparently somewhat out of line, for the Traction Company being a feeder and giving tonnage to the Santa Fe, which that Company otherwise would not secure, should, in my opinion, receive a larger proportion of the through rates; what that proportion should be cannot be determined in this case as the through rates and the division thereof are not before the Commission. I would suggest, however, that the carriers participating in the through rates endeavor to agree upon a more satisfactory division of the earnings which will be fair to all concerned.

Only one firm protested the changes and its objection was directed against the increase from 55 to 50 cents per ton, on lumber, carloads, between Modesto and Empire. The testimony indicated that but a small part of the lumber traffic moves on a combination of local rates and that if through rates were established to take care of this particular tonnage the objections would be withdrawn. I would recommend that the Traction Company endeavor to have ^{such} joint rates published as circumstances may make necessary.

The history of the Traction Company and the evidence produced at this hearing show that the property has not only been operated at a loss since its inception but that for each succeeding year there has been an increased deficit and it must be apparent to any fair minded person that the applicant is not receiving a reasonable return. It is also in evidence, as previously stated, that the deficit is not entirely due to the local rates but is attributable to all classes of the service. I therefore recommend that applicant immediately take up with the Santa Fe the question of a different division of the through rates. The total additional revenue which will accrue by the granting of this application will be approximately \$1100.00 per annum, based on the local tonnage carried during the six months ending April 30, 1915.

I am convinced after a careful consideration of all the evidence that the application should be granted.

O R D E R

The Modesto & Empire Traction Company having applied to this Commission for permission to increase its local class rates and certain commodity rates for the transportation of freight between Modesto and Empire, Riverside Park and Modesto and Riverside Park and Empire, and a regular hearing having

been had and the Commission being fully apprised in the premises,
and basing its order on the opinion which precedes this order;

IT IS HEREBY ORDERED that the application in the above
entitled proceeding be and it is hereby granted.

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

Dated at San Francisco, California, this 5th day
of November, 1915.

H. H. Ireland
W. G. Gordon
Edwin C. Edgerton
Frank R. Quinn

Commissioners.