

Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of the Southern Pacific Company for themselves and on behalf of carriers parties to tariffs of the Pacific Freight Tariff Bureau for relief from the Long and Short Haul provisions of Section 21, Article XII, of the Constitution of California and Section 24 (a) of the Public Utilities Act, relating to intermediate class rates in excess of rates to more distant points.

ORIGINAL

Case No. 214-A

Decision No. 2136-

- C. W. Durbrow, for Southern Pacific Company, applicant.
- Seth Mann, for Traffic Bureau of the Chamber of Commerce, San Francisco, Cal.
- F. M. Hill, for Fresno Traffic Association, Fresno, Cal.

NOVELLAND, Commissioner:

OPINION.

In this case the Southern Pacific Company, for itself and on behalf of carriers parties to tariffs of the Pacific Freight Tariff Bureau, seeks authority to continue charging class rates as now published in its Local Freight Tariff No. 1, CRC 1, Local Freight Tariff No. 711, CRC 1515, and Joint and Proportional Tariff No. 707-D, CRC 1906; also class rates via its lines published in Pacific Freight Tariff Bureau Tariffs Nos. 16-B, CRC 101, 42-B, CRC 105, 34-B, CRC 110, and 31-B, CRC 126, which are in violation of Section 21, Article XII of the Constitution of the State; and Section 24-(a) of the Public Utilities Act.

The applications presented in this case were originally filed December 30, 1911, in compliance with an order promulgated by this Commission October 26, 1911. Prior to October 10, 1911, Section 21 of Article XII of the Constitution of this State forbade

the charging of a greater compensation for a short haul than for a long haul, the short haul being included within the long. On that date this section of the Constitution was amended so that it now reads as follows:

"No discrimination in charges or facilities for transportation shall be made by any railroad or other transportation company between places or persons, or in the facilities for the transportation of the same classes of freight or passengers within this state. It shall be unlawful for any railroad or other transportation company to charge or receive any greater compensation in the aggregate for the transportation of passengers or of like kind of property for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, or to charge any greater compensation as a through rate than the aggregate of the intermediate rates; provided, however, that upon application to the Railroad Commission provided for in this constitution such company may, in special cases, after investigation, be authorized by such commission to charge less for longer than for shorter distances for the transportation of persons or property and the Railroad Commission may from time to time prescribe the extent to which such company may be relieved from the prohibition to charge less for the longer than for the shorter haul. \*\*\*\*\*"

The long and short haul provision herein contained is, it will be noted, incorporated in the section generally preventing discrimination. The Legislature submitting the amendment and the people adopting it, no doubt considered a lesser charge to a more distant point than to an intermediate point to be a discrimination against the intermediate point. Not all discriminations, however, are undue or unlawful. There may be cases where the apparent discrimination is merely a difference which is legitimately brought about by circumstances operative in one case that do not exist in another. Discrimination is a question of fact, and whether it be undue and illegal is also a question of fact and the constitution and the Public Utilities Act (Sec. 24-a) have imposed upon this commission the duty of determining these questions of facts. Acting within its authority, the ruling of this commission in this regard is conclusive (Public Utilities Act, Sec. 67). Of course, it is not here intimated that under this power, the commission has authority to invade any rights which are conferred upon the carrier

either by the Constitution of this State or the United States or to deprive it of its property without just compensation or due process of law.

While therefore the state is not compelled under any provision of the Constitution to accord to carriers the right to meet competition, yet it may do so as a matter of policy in proper cases, and that the people of this state have desired, as a matter of policy, to permit such procedure on the part of the carriers is evidenced by the language of Section 21 of Article XII of our Constitution heretofore referred to, but they have left to this Commission the determination of the questions as to what are proper cases, and it is my view that in all cases where an advantage will accrue to the carrier and no substantial disadvantage to the public, that the carriers should be accorded the right, as a matter of policy, to meet competition over which they have no control.

Section 21 of Article XII of the Constitution of the State of California contemplates that the Commission shall determine two things,-

First - the cases wherein discrimination may be permitted; and,

Second - the extent of such discrimination.

I am aware of the great difficulties that surround the determination of this second question when concretely presented and strongly believe that reasonableness of any individual rate must to a certain extent be based upon the relationship which it bears to the entire body of rates of the character involved.

I likewise believe that the traffic managers of carriers as to all rates, and particularly class rates, give little thought to the volume of any individual rate but rely upon a sufficiently high scale on the average to yield the returns which their company demands.

By reason of these great difficulties the Commission, in taking up the case which we are now considering, determined that it would decide but one of the questions involved, namely, at what points, if any, are conditions such as would warrant the carriers, without injustice to the intermediate points, meeting competition, provided the rate which it is required to meet is not so low that by meeting it, tribute would be levied upon other traffic. If on subsequent complaint and investigation it should develop that by meeting the competition other traffic will be burdened, such further adjustment will be made as may be deemed necessary. In other words, for the present, we will permit the continuance of the discrimination as we find it at such points, merely as a working arrangement subject at any time either on complaint or the Commission's initiative, to further consideration. And likewise the character and reasonableness of the intermediate rate is similarly open to inquiry.

Desiring to get the long and short haul question definitely before it, the Commission on the 16th day of October, 1911, entered an order wherein it required the various carriers to file applications with the Commission for the relief permitted under the Constitution. A number of hearings were held in San Francisco, and the carriers and the shipping public given full opportunity to present their views in connection with the rates. As a result of the hearings and investigations the Commission issued an order February 15, 1912, authorizing carriers to continue in effect rates in violation of the Constitution until such time as the Commission reached a final conclusion in each individual case.

A situation perhaps unlike any other ever presented to this Commission is before us at this time for consideration. At the beginning it may be as well to announce that this decision is largely based upon expediency. If I were, at this time, considering the questions involved herein ab initio it might well be that the decision would be different, but I am considering and passing upon the expediency of continuing a situation with respect to traffic conditions which is the result of endeavors upon the part of carriers to meet changed conditions in their own interest as well as the sometimes divergent views of shippers. There have been numerous decisions of Commissions, such decisions in some instances being sustained by the courts that conditions which have grown up in this way as the result of a system of rate making which perhaps would not be justifiable if for the first time put into effect now, should not be disturbed, particularly where such disturbance would result in increased rates to shippers and only benefit the carriers, something which the carriers are not asking or seeking.

The rate from San Francisco to Los Angeles and in the opposite direction is admittedly a water compelled rate. The granting of a like rate to towns located on the San Francisco Bay is easily justified. It is not so easy to justify the granting of the same rate to and from Marysville, Sacramento and other similarly located points and the giving to these points not on San Francisco Bay the same rates as from San Francisco is, I believe, only justifiable on the ground of expediency. Such a condition has existed for many years. No one, as before stated, would be benefited by disturbing it except the carriers and they do not ask that the present conditions be disturbed.

✓ For the present, therefore, I am going to recommend the applications of carriers to continue present violations of the long and short haul clause of the Constitution and of the Public Utilities Act except as hereinafter noted, realizing that the right remains to again consider and pass upon the violations when specific

complaints are filed and testimony supporting such complaints is offered.

In justification of the violations in class rates petitioner presented to the Commission 10 exhibits explanatory of the situations as they exist in the tariffs to which reference is made.

Exhibit No.1 - page 1 covers the general situation between Northern and Southern California wherein the class rates between San Francisco, San Jose, Port Costa, Stockton, Sacramento, Marysville and intermediate points on the one hand, and Los Angeles and points south thereof, including Sontos, San Pedro, Whittier, Newport Beach and Los Alamitos on the other, are lower than the class rates to intermediate points via both the "Valley" and "Coast" routes.

Low class rates are:-

60 48½ 42½ 37½ 27½ 30 30 27½ 27½ 25.

Exhibit No.1 - Page 2 covers low class rates between South Vallejo on the one hand and on the other the same points in Southern California as shown above for Page 1.

Class rates are, -

70 57½ 50½ 44½ 33½ 36 36 33½ 33 30

Exhibit No.1 - Pages 3,4 and 5 are explanatory of the rates being assessed by competing water carriers.

Exhibit No.1 - Page 6 covers low joint class rates published in Pacific Freight Tariff Bureau Tariff CRC No. 110, between Marysville on Northern Electric Railway via Sacramento; Oakland and Sacramento on Oakland, Antioch and Eastern Railway via Bay Point or McAvoy; and Fruitvale, Niles, Oakland, Sacramento and Marysville on Western Pacific Railway via Stockton on the one hand and Los Angeles and points in Southern California on the other, the low class rates being the 60 cent scale shown above for page 1 of this exhibit.

Exhibit No.1 - Page 7 covers low joint class rates between San Francisco, Oakland, San Jose, Stockton, Sacramento,

Marysville, San Ramon and points taking Group 1 rates shown in Pacific Freight Tariff Bureau Tariff CRC No.126, on the one hand, and Calver City, Santa Monica Canon and points between on Pacific Electric Railway on the other. The low class rates being the 50 cent scale shown herein for Page 1 of this exhibit.

Following is an example of the higher class rates at intermediate points in the four (4) situations set forth above, covered by Pages 1, 2, 6 and 7 of Exhibit No.1. The class rates via applicant's line between San Francisco and Los Angeles, a distance of 469 miles, is on a 50 cent scale.

The high intermediate point from San Francisco via the San Joaquin Valley route is Acton, 415 miles from San Francisco, where progression of the scale makes following class rates.-

85 71 58 52 46½ 48 33 26 23 19

High intermediate point from San Francisco via Coast Line is Sini, 429 miles.- class rates:

80 68½ 61½ 54½ 42½ 46 42 39 35½ 33½

The high intermediate point from South Vallejo to Los Angeles is Russ,- class rates are:

94 81 68 61 50½ 53 41 32½ 29 25

The situation as to the high intermediate rates from Marysville, Sacramento, Niles and other points shown on Pages 6 and 7, is practically the same as shown for Pages 1 and 2. It will therefore not be necessary to set forth the actual rates in each instance.

In justification of the maintenance of lower class rates between San Francisco and Los Angeles and other points set forth in Exhibit No.1, than to intermediate points, it is shown that these rates are influenced and controlled by the rates made by the Pacific Coast Steamship Company, North Pacific Steamship Company, Pacific Navigation Company and various other steamship lines and their rail line connections operating between San Francisco and points in

Southern California through Port San Pedro.

The class rates of the Pacific Coast Steamship Company between San Francisco and San Pedro are as follows:

36 28 23 20 12½ 15 15 14½ 14½ 11½

(Does not include wharfage and handling).

The through joint class rates via rail and water, including wharfage and handling, between San Francisco and Los Angeles via Pacific Coast Steamship Company, and its rail line connections are,-

52 41 35 30 19½ 22 22 20½ 20½ 17

Rates via other steamship lines in this service are practically the same.

There can be no doubt from the evidence submitted that the water competition between San Francisco and San Pedro is both active and controlling and that the rail rates between the ports and points contiguous thereto have been established on a lower scale than they would otherwise have been were it not for the effect of this water competition.

Since, however, applicant has established this low 60 cent scale of class rates between San Francisco and Los Angeles and points contiguous thereto and has extended these rates to include such points as Lincoln, Wheatland and Marysville on the north and has given the existence of water competition at Marysville on the Sacramento River as justification for the extension of this low scale of class rates to include Lincoln, Wheatland and Marysville, the Commission cannot approve the method used by applicant in making class rates between South Vallejo and Napa on the one hand, and Los Angeles and points contiguous thereto on the other, as shown by Exhibit No.1, for the reason that actual water competition certainly exists to a greater degree at South Vallejo and Napa than it does at Lincoln, Wheatland and Marysville and, in my opinion, such discrimination should be removed. In other respects application covered by Exhibit No.1 will be granted.



Exhibit No.2 covers the violations existing in the class rates between San Francisco, San Jose, Stockton, Sacramento, Marysville, Salinas and intermediate points on the one hand and San Luis Obispo, Santa Barbara, Ventura, Oxnard and points between on the other, via both Valley and Coast lines, also between the same points in Northern California and Bardsug, Bargar, Fremel and Betteravia - stations located on Santa Maria Valley Railroad.

The low class rates between San Francisco and San Luis Obispo, 248 miles, are blanketed to Oxnard, 404 miles from San Francisco because of water competition, and are as follows:

60 48½ 42½ 37½ 27½ 30 30 27½ 25 25

High intermediate point from San Francisco is Nacimiento, 197 miles, where progression of the scale makes the following:

60 55 50 45 37 35 30 30 25 25

Low class rates between San Francisco and Betteravia, 227 miles, a point located on Santa Maria Valley R.R. and Pacific Coast Railway,-

62 50½ 44½ 40½ 29½ 32 31 28½ 26 26

Nacimiento, shown next above, is also the high intermediate point San Francisco to Betteravia:

Exhibit No.2 also covers low scale of class rates between South Vallejo and San Luis Obispo, Santa Barbara, Ventura, Oxnard and points between. Low scale,-

70 57½ 50½ 44½ 33½ 36 36 33½ 30½ 30

High intermediate point from Santa Barbara is Tunpost; rates are:

84 70½ 62½ 55½ 43½ 46 44½ 41 36½ 36½

Low scale between South Vallejo and Betteravia:

72 59½ 52½ 47½ 35½ 38 37 34½ 31½ 31

High rate at intermediate point is between Crockett and Wellsona; rates:

69 62 56½ 50½ 39½ 39 34 34 28½ 28½

In defense of the lower class rates between San Francisco

and San Luis Obispo, Santa Barbara, Betteravia and other points set forth in Exhibit No.2, than are charged to intermediate points, it is shown that there is water and rail and water competition between the points involved, via which routes lower rates are maintained, for example:

The joint class rates between San Francisco and San Luis Obispo via Pacific Coast Steamship Company and Pacific Coast Railway through Port San Luis are:

52 41 35 30 22½ 25 25 22½ 20 20

The class rates of the Pacific Coast Steamship Company and North Pacific Steamship Co., between San Francisco and Santa Barbara are:

42½ 32½ 27½ 22½ 17½ 20 20 17½ 15 15

The joint class rates between San Francisco and Betteravia via Pacific Coast Steamship Company and Pacific Coast Railway through <sup>Port</sup> San Luis are:

55 44 38 34 25 28 28 24 23 22

- - -

From these comparisons it will readily be seen that there is actual water competition sufficient to influence and control the rates between the points between which the low rates are maintained. However, this is another instance wherein applicant has not been consistent in adjusting the "blanket" as the same discrimination exists in Exhibit No.2 as in Exhibit No.1, the blanket 60 cent scale in one instance and 62 cents in the other having been extended to include Lincoln, Wheatland and Marysville, while rates from South Vallejo and Napa are on a much higher basis.

It is noted in applicant's justification for violations shown in its Exhibit No.5 that the location of South Vallejo on the San Francisco Bay is given as its reason for applying same rates from South Vallejo to Fresno and Bakersfield as from San Francisco and Port Costa, and I see no valid reason why this basis should not hold in the situations shown in Exhibits Nos. 1 and 2.

Application covered by Exhibit No.2 will be granted with the understanding that the discriminations referred to will be removed.

Exhibit No.3 is explanatory of violations existing in the class rates between San Francisco, Oakland and Richmond, on the one hand, and Stockton on the other. This exhibit also covers violations to and from South Vallejo and Port Costa, viz:

A- Lower class rates are maintained between San Francisco, Oakland and Richmond and Stockton than between intermediate points.

Distance San Francisco to Stockton 91 miles, - low scale as follows:

10 10 9 9 7 7 6  $5\frac{3}{4}$   $5\frac{1}{2}$   $5\frac{1}{2}$

High intermediate point is between San Francisco and Santa, distance 74 miles. Rates:

17 15 14 12 11 11 8 8  $7\frac{3}{4}$  6

B- Lower class rates are maintained between South Vallejo and Tracy than between intermediate points. Distance South Vallejo to Tracy 89 miles. Low scale:

16 14 13 11 10 10 8  $7\frac{3}{4}$   $7\frac{1}{2}$   $7\frac{1}{2}$

High intermediate point is between South Vallejo and Newlove, 62 miles. Rates:

17 15 13 12 10 10 10 10 9 9

C- Lower class rates are maintained between South Vallejo and Stockton, 100 miles, than between intermediate points. Low scale:

16 16 14 12 11 11 8 7 6 5

High intermediate point is between Stockton and Subeet 91 miles. Rates:

26 24 21 19 17 17  $14\frac{1}{2}$  12 11 11

- - -

D- Lower class rates are maintained between South Vallejo and Antioch, 60 miles, than between intermediate points. Low scale:

16 14 13 12 10 10 10 10 9 9

High intermediate point is between Antioch and Suisun, 40 miles; rates are as follows:

21 18 16 13 11 11 11 10½ 9½ 9½

- - -

E- Lower class rates are maintained between South Vallejo and Port Costa, 38 miles, than between intermediate points. Low scale:

10 9 8 7 6 6 6 6 5½ 5½

High intermediate point is between Suisun and Port Costa, 17 miles. Rates as follows:

11 10 9 7 6 6 6 6 5½ 5½

- - -

This exhibit also covers violations between San Francisco, Port Costa, South Vallejo, etc., on the one hand and stations north of Stockton on the other. For example:

Lower class rates are maintained between San Francisco and Lodi, 103 miles, than between intermediate points. Low scale:

17 16 14 12 11 11 9 8¾ 8 6½

High intermediate point is between Crockett and Lodi, 86 miles. Rates as follows:

19 17 16 14 11 11 10 9 8½ 8½

Numerous showings are made in this Exhibit covering situations north of Stockton exactly similar to that shown next above for Lodi, such violations extending to practically all stations Stockton to Florin, inclusive, main line and branches. It will not be necessary to here set out each point, the Lodi situation being illustrative.

In defense of the low rates maintained between San Francisco and Stockton and between other points shown in Exhibit No. 5, where lower rates are charged than to intermediate points, applicant refers to the fact that its low scale of rates between San Francisco and Stockton is the same as the rates published by the California Transportation Company and California Navigation

and Improvement Company, both of which companies operate a line of boats between San Francisco and Stockton and intermediate landings.

It is found that competition by boat lines operating on San Francisco Bay, Sacramento and San Joaquin Rivers and waters adjacent thereto, is sufficient to influence and control the rates in the territory involved and is reflected to points contiguous to Stockton, and I am of the opinion that under the circumstances the discrimination against the intermediate points is not unreasonable and that carrier should be authorized to continue the low rates to the more distant point and the present higher rates to intermediate points.

Application covered by Exhibit No.3 will therefore be granted.

Exhibit No.4 is explanatory of the violations existing in the class rates between San Jose, San Francisco and Oakland on the one hand, and South Vallejo, Napa, W.Napa, Merazo and intermediate points on the other, also between South Vallejo and Folsden on the one hand and Port Costa and Crockett on the other; rates to intermediate points being higher.

The following low class rates are maintained between San Francisco and Napa, 70 miles:

13 9 8 7 6 6 6 6 5½ 5½

High intermediate point is between San Francisco and Hoyt, 39 miles; rates are:

14 12 10 9 8 8 8 7½ 7 7

- - -

Low class rates between Crockett and Folsden, 35 miles, are:

10 9 8 7 6 6 6 6 5½ 5½

High intermediate point is between Crockett and Cygnus, 13 miles; rates are:

14 12 10 9 8 8 8 7½ 7 7

In defense of the maintenance of lower class rates between San Francisco and Napa and between Crockett and Folsden than

to intermediate points, applicant contends that the low rates are influenced and controlled by the rates made by the various boat lines operating on San Francisco Bay and navigable rivers tributary thereto.

Since application covered by Exhibit No.4 was filed the Commission has authorized the Southern Pacific Company to adjust its class rates between San Francisco and Napa and Napa Junction, which adjustment brings about both increases and decreases, the following scale of rates having been authorized:

Between										
San Francisco										
and										
Napa Junction	15½	12	10	9	8	8	8	6	5	5
Napa	15	13	11	10	9	9	8	7	6	5

With this adjustment I am of the opinion that the violations at the intermediate points should be removed.

I do not find that there is a boat line operating between Crockett and Vallejo or that there is sufficient water competition between these points to justify the present violations between Crockett and Wolsden. The class rates between points that are intermediate San Francisco to Napa Junction should in no case exceed the San Francisco-Napa Junction rates shown above.

Application covered by Exhibit No.4 will therefore be denied.

Exhibit No.5 covers violations in class rates between South Vallejo and Fresno, Bakersfield and intermediate points in San Joaquin Valley, rates to and from Suisun and points intermediate to Benicia being higher.

Following low class rates are maintained between South Vallejo, Port Costa and Benicia on the one hand and Bakersfield (319 miles from South Vallejo) on the other.

72 65 51 46 42 42 29 25 20 16

High intermediate point is between Suisun and Bakersfield, 299 miles, where class rates are:

In justification of these violations it is shown that South Vallejo, because of its location on San Francisco Bay, is grouped with San Francisco, Port Costa and Suisun and therefore South Vallejo rates should not apply as maximum through Suisun.

Application covered by Exhibit No.5 will be granted.

Exhibit No.6 covers violations in class rates between Tulare and Visalia, both points being located in San Joaquin Valley and are served by the Atchison, Topeka and Santa Fe Railway as well as by the line of applicant.

Low class rates between Tulare and Visalia, 18 miles:

7 6 6 5 5 5 3 3 2¾ 2½

High point intermediate rates are between Tulare and Jacobs Spur, 15 miles, rates being as follows:

9 8 7 6 6 6 4 4 3½ 3¼

The reason set forth by applicant for the maintenance of lower rates between Tulare and Visalia than to intermediate points is the fact that mileage between these points via the line of its competitor, the Atchison, Topeka & Santa Fe Railway, is but 10 miles against 18 miles via Southern Pacific Company. Low rates published by applicant are the same as rates published by the Atchison, Topeka & Santa Fe Railway and are necessary to meet the short line competition. Inasmuch as the mileage via line of applicant, between the points involved, is 180% of the mileage via the short line this application will be granted.

Exhibit No. 7 is explanatory of the violations in class rates published in Pacific Freight Tariff Bureau No. 34-E, CRC No. 110, wherein joint rates are published between Sacramento and Lathrop, French Camp, Hislop, etc., via Oakland, Antioch and Eastern Railway to Bay Point, thence Southern Pacific Company which are lower than rates to intermediate points. As an example of this situation, the low class rates maintained by applicant between Sacramento and French Camp, via above route, a distance of 103 miles, are as follows:

16 14 11 10 9 9 8 7 6½ 6

High intermediate point is between Sacramento and Bay Point, a distance of 54 miles, where rates are:

33 21 18 15 13 13 12 10 9½ 9½

In defense of the maintenance of lower class rates between Sacramento and French Camp, and other points shown in Exhibit, than to intermediate points, a showing is made of the fact that the distance between Sacramento and French Camp via the Western Pacific Railway is 50 miles and via Southern Pacific Company's direct line is 54 miles. Mileage via route over which joint rates apply is approximately 200% of the mileage via the short lines. For this reason application covered by Exhibit No.7 will be granted.

Exhibit No.8 covers trans-shipment class rates from San Francisco to Los Angeles published in Pacific Freight Tariff Bureau Tariff No.42-B, CRC No.105, same being applicable only on business received from water craft at San Francisco, the most of which moves to and from interstate and foreign points. The same violations exist as shown between same points in Exhibit No.1 and like defense is offered. This application covered by Exhibit No.8 will therefore be granted.

Exhibit No.9 covers violations in proportional class rates between Sacramento and Shellville Junction published in Pacific Freight Tariff Bureau Tariff CRC No.101. This application has been withdrawn and tariff will be amended removing the violations.

Exhibit No.10 covers violation in proportional basing class rates between San Francisco, Oakland and Oakland Wharf and Tiburon published in Pacific Freight Tariff Bureau Tariff CRC No.101. These proportional class rates are used only to make through rates on traffic to or from points on Northwestern Pacific Railroad beyond Tiburon and rates so made are applicable via Shellville Junction in connection with applicant's line and are lower than local rates between intermediate points.



Distance between San Francisco, Oakland and Oakland Wharf and Tiburon via barge service is approximately 6½ miles. San Francisco to Shellville Junction via Suisun is 73 miles. Low proportional class rates are as follows:

6 6 6 5 5 5 5 5 5 5

High intermediate point is between Cordelia and Shellville Junction, 19 miles; rates are:

17 12 11 9 8 8 8 6 5½ 5

Justification given for the maintenance of lower class rates between San Francisco, Oakland and Oakland Wharf and Tiburon than to intermediate points, via Shellville Junction, is the fact that barge service is maintained by the Northwestern Pacific Railroad between San Francisco and Tiburon, and by the Atchison, Topeka and Santa Fe Railway between Richmond and Tiburon at same rates and for same purpose as the low scale shown above, also the further fact that for operating convenience practically all the business interchanged by applicant's line with the Northwestern Pacific Railroad is actually handled through Shellville Junction.

Application covered by Exhibit No.10 will therefore be granted.

Several of the exhibits contain a note to the following effect,- This adjustment of non-intermediate rates is reflected at points beyond point of origin or destination, at points between point of origin or destination or at branch line points, by combination on some one or other of the low rates from or to points shown or on a progression of same. Such combinations and progressions are sometimes published in, or made by use of other tariffs than the one containing the low rates.

An example illustrating this situation is set forth below:

Miles	Between	And	1	2	3	4	5	A	B	C	D	E
4	#Berg	Marysville	5	5	5	4	4	4	3	2 <sup>3</sup> / <sub>4</sub>	2 <sup>1</sup> / <sub>2</sub>	2 <sup>1</sup> / <sub>2</sub>
493	Marysville	Los Angeles	60	48 <sup>1</sup> / <sub>2</sub>	42 <sup>1</sup> / <sub>2</sub>	37 <sup>1</sup> / <sub>2</sub>	27 <sup>1</sup> / <sub>2</sub>	30	30	27 <sup>1</sup> / <sub>2</sub>	27 <sup>1</sup> / <sub>2</sub>	25
497	Berg	Los Angeles	65	53 <sup>1</sup> / <sub>2</sub>	47 <sup>1</sup> / <sub>2</sub>	41 <sup>1</sup> / <sub>2</sub>	31 <sup>1</sup> / <sub>2</sub>	34	33	30 <sup>1</sup> / <sub>2</sub>	30	27 <sup>1</sup> / <sub>2</sub>
465	Berg	*Saugus	63	69 <sup>1</sup> / <sub>2</sub>	61 <sup>1</sup> / <sub>2</sub>	53 <sup>1</sup> / <sub>2</sub>	42 <sup>1</sup> / <sub>2</sub>	45	41	35 <sup>3</sup> / <sub>4</sub>	33 <sup>1</sup> / <sub>2</sub>	29 <sup>1</sup> / <sub>2</sub>

#4 Miles north of Marysville      \*Intermediate to Los Angeles

This practice is entirely justifiable and the granting of petitions containing such violations carries with it the authority to continue the application of such rates.

In view of all of the facts and circumstances appearing, as hereinbefore set forth, and except as hereinbefore provided, these applications will be granted, until it may be otherwise ordered upon future investigation in particular cases, and applicant will be permitted to continue to charge lower class rates between the short line and water competitive points and to maintain higher rates to intermediate points as published at the present time in its tariffs.

I therefore submit the following form of order:

ORDER

The Southern Pacific Company having applied to this Commission for an order granting relief from the provisions of Section 21 of Article XII of the Constitution of California and for authority to continue intermediate class rates higher than the class rates between more distant points, as set forth in the exhibits and tariffs referred to in the opinion which precedes this order, and a hearing having been held and the Commission being fully apprised in the premises and basing its conclusions on the findings of fact set forth in said opinion,-

IT IS HEREBY ORDERED that the Southern Pacific Company and its connections, such connections arising from membership in the Pacific Freight Tariff Bureau, be and they are hereby authorized

to continue class rates as set forth in the applications and exhibits referred to in said opinion and maintain higher rates at intermediate points, except that the discrimination in rates to and from South Vallejo and Napa referred to in Exhibits Nos. 1 and 2 be removed and application covered by Exhibit No.4 be denied; provided that this authorization shall not be construed to pass on the reasonableness of the intermediate rates or any other matter except the application of the Long and Short Haul clause of the State Constitution and the Public Utilities Act.

IT IS FURTHER ORDERED that this authority will extend to rates from and to points more distant than the terminals between which violations are hereby authorized when combinations are made over the low rates at the terminals.

All the rates herein authorized are, of course, subject to complaint, investigation and correction if in conflict with any provision of the Constitution or of the Public Utilities Act.

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 19<sup>th</sup>  
day of June, 1916.

Max Shelton  
H. H. Howard  
W. G. Gordon  
Edwin C. Edgerton

Commissioners.