

Decision No. _____

ORIGINAL

Decision No. 11858

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

IN THE MATTER OF THE APPLICATION)	
OF THE MONTICELLO STEAMSHIP COM-)	
PANY FOR AUTHORITY TO INCREASE)	Application No. 2928.
ALL FREIGHT RATES APPLYING BETWEEN)	
SAN FRANCISCO AND VALLEJO.)	

Sanborn & Reehl, for Petitioner.

Seth Mann, for San Francisco Chamber of Commerce.

BY THE COMMISSION:

O P I N I O N

The Monticello Steamship Company alleges that its existing freight rates between San Francisco and Vallejo are unremunerative and wholly inadequate for the service performed, because of the greatly increased cost of operation, and by its petition seeks authority to increase the rates 15 per cent.

Petitioner operates vessels between San Francisco and Vallejo. Its competitors at Vallejo are the Southern Pacific Company and the Napa Transportation Company, while freight is handled for points beyond Vallejo in connection with the San Francisco, Napa & Calistoga Railway Company.

Exhibit No. 1, submitted at a hearing held in San Francisco June 27, 1917, gives the actual revenues and expenses for the year 1916, and an estimate to cover the year 1917 on the

assumption that the request to increase rates is granted.

The complete exhibit is set forth below:

	<u>CALENDAR YEAR</u>	
	1916 (actual)	1917 (estimated)
<u>Operating Revenue</u>		
Freight	\$ 56,479.95	: \$ 64,951.94
Passenger	190,305.84	: 201,724.19
Other Revenue	<u>66,656.23</u>	: <u>70,656.60</u> \$337,331.73.
	\$313,442.02	
	Increase in Operating Revenue 23,889.71	
<u>Operating Expenses</u>		
Transportation	146,511.95	: 164,120.86
Incidental	2,782.00	: --
Maintenance of Equipment and Depreciation	52,790.81	: 57,840.48
Traffic	4,322.70	: 4,393.45
Terminal	16,727.16	: 18,590.71
Maintenance Terminal	10,004.59	: 12,151.46
General	<u>41,312.97</u>	: <u>47,376.90</u> \$304,473.86
	\$274,452.18	
Net Operating Revenue-	38,989.84	: 32,857.87
Revenue from Shops	4,482.25	: 4,482.25
Interest on Depreci- ation Reserve	<u>2,395.25</u>	: <u>2,395.25</u> 6,877.50
	6,877.50	
Gross Income-	\$45,867.34	: \$39,735.37
Taxes	2,693.81	: 2,693.81
Rents	<u>8,562.72</u>	: <u>8,562.72</u> 11,256.53
	11,256.53	
Net Income	\$34,610.81	: \$28,478.84

It will be noted that the actual net income for 1916 was \$34,610.81 and that the estimated net income for 1917 is assumed to be \$28,478.84.

Petitioner's operating revenue is derived from three sources - freight, passenger and other business, the last item embracing receipts from meals, buffet, excess baggage, express and excursions, all of which are incidental to passenger service, thus making the total \$256,962.07 from passenger business and incidentals thereto during the year 1916, while the freight revenue was but \$56,479.95, indic-

ating that the operations of this boat line are primarily for the handling of passenger traffic.

Operating expenses, including depreciation, in 1916 were \$274,452.18 and they are estimated at \$304,473.86 for the year 1917. The increase of \$30,021.68, or 10.94 per cent, is attributable to advanced cost of supplies and materials, ranging from 10 to 50 per cent, and increases in wages of 10 per cent. It is to be noted that the estimated increase in freight revenue is based on the proposed 15 per cent increase in rates, while the passenger revenue is increased arbitrarily 6 per cent.

As the 1917 figures, set forth in Exhibit No.1, are purely speculative, the Commission called for a comparative statement, showing the actual revenues and expenses, the latter in detail, for the first five months of the years 1916 and 1917. It was stipulated herein that all reports filed prior to the decision should be part of the record.

From the statistical data furnished by applicant, supplemented by information taken from the annual report and from a special report rendered by this Commission's auditing department, the following tables have been compiled:

OPERATING REVENUES AND EXPENSES

	Year End- ing Dec-31, 1915	Year End- ing Dec-31, 1916	9 Months : Ending : Sept. 30, : 1917	Est. for 3 months 10/1 to 12/31 1917	Estimated for 1917.
<u>OPERATING REVENUE</u>					
Freight	\$ 54,228.17	56,479.95	: 46,692.06	15,564.02	62,256.08
Passenger	222,099.14	190,324.84	: 194,393.92	64,797.97	259,191.89
Meals	33,956.05	32,512.40	: 34,408.35	11,469.45	45,877.80
Excess Baggage	184.22	234.95	: 222.42	74.14	296.56
Bar and con- cession	22,262.96	19,187.49	: 14,908.57	4,969.52	19,878.09
Express	7,550.03	7,856.20	: 5,753.40	1,917.80	7,671.20
Excursion	9,336.00	1,383.00	: 1,375.00	458.33	1,833.33
Dock Revenue	4,794.64	5,413.49	: 4,568.93	1,522.97	6,091.90
Total Operating Revenue-	\$354,411.21	313,392.32	: 302,322.65	100,774.20	403,096.85
<u>OPERATING EXPENSES</u>					
General Expenses	\$ 57,105.89	70,871.80	: 46,449.56	15,483.18	61,932.74
Wages	92,921.20	99,024.58	: 81,255.30	27,085.10	108,340.40
Fuel	42,033.12	30,994.15	: 24,456.58	8,152.19	32,608.77
Repairs	29,931.88	22,869.01	: 13,690.29	4,563.43	18,253.72
Salaries Gener- al Officers	14,135.00	15,500.00	: 12,750.00	4,250.00	17,000.00
Rent	7,755.55	8,552.72	: 6,506.38	2,168.79	8,675.17
Taxes	2,312.81	2,693.81	: 1,823.74	607.91	2,431.65
	\$246,195.45	250,516.07	186,931.85	62,310.60	249,242.45
Depreciation	32,769.96	35,192.64			35,192.64
Total Operating Expenses ---	278,965.41	285,708.71			284,435.09
Net Operating Revenue	75,445.80	27,683.61*			118,661.76
Non-operating Revenue	8,754.68	6,877.50			6,877.50
Net Income for Year	84,200.48	34,561.11			125,539.26

*Affected by Labor strike during 1916.

DEPRECIATION RESERVE
(As set up by Applicant 1912 to 1916, Inc.)

<u>STEAMER</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>TOTAL</u>
Napa Valley	5,782.30	9,600.00	16,000.00	16,000.00	16,000.00	63,382.30
Selome	2,223.20	4,500.00	600.20	2,189.96	4,500.00	14,013.36
Gen. Frisbie	3,206.19	6,279.00	5,760.00	5,760.00	5,759.96	26,765.15
Arrow	3,112.44	4,500.00	3,600.00	3,600.00	3,600.00	18,412.44
Wharves and Buildings	2,363.92	3,000.00	3,000.00	3,021.00	3,041.54	14,426.46
Equipments	-	180.00	180.00	196.75	277.24	833.99
Furniture and Fixtures	503.55	360.00	360.00	415.97	447.30	2,086.82
Shop	<u>1,066.69</u>	<u>1,509.00</u>	<u>1,509.00</u>	<u>1,586.28</u>	<u>1,566.60</u>	<u>7,237.57</u>
TOTAL	18,258.29	29,928.00	31,009.20	32,769.96	35,192.64	147,158.09

DIVIDENDS PAID

	<u>In Cash</u>	<u>In Capital Stock</u>		
1905	6,000.00		3%	200,000.00
1906	10,000.00		5%	"
1907	6,000.00		3%	"
1908	20,000.00		10%	"
1909	12,000.00		6%	"
1910	12,000.00		6%	"
1911	12,000.00		6%	"
1912	12,000.00		6%	"
1913	24,000.00		12%	"
1914	50,000.00		25%	"
1915		400,000.00	200%	"
1915	60,000.00		30%	"
1916	<u>36,000.00</u>		<u>18%</u>	"
TOTAL-260,000.00		400,000.00	TOTAL DIVIDENDS PAID	\$660,000.00

Note. On Oct. 25, 1915

Capital Stock increased from \$200,000.00 to \$600,000.00 par value, \$400,000.00 being paid in dividends, as set forth above.

A witness for petitioner testified that the present value of the property devoted to this service is \$1,100,000.00 and that the same should return 8 or 10 per cent interest on account of the hazards of the business. This valuation is, no doubt, based on the inflated war prices. In petitioner's annual report for the year ending December 31, 1916, the value is given as \$668,338.74, divided as follows:

Floating Equipment	\$551,000.00
Wharves and Buildings	51,078.47
Wharf Equipment	5,002.46
Terminal Grounds	20,310.73
Other Grounds	6,856.13
Furniture and Fixtures	7,455.04
Shops and Oil Tanks	26,635.91
	<u>\$668,338.74</u>

The floating equipment consists of four steamers, viz; Napa Valley, Sehome, General Frisbie and Arrow. The first two are in regular service, while the others are used infrequently, either to relieve the regular steamers or for special work.

The record does not disclose the actual investment in the property, but we may presume that in 1905 it equalled the face value of the capital stock, or \$200,000.00. During the twelve years covered by the table headed "Dividends Paid", the applicant enjoyed unusual prosperity, paying dividends each year ranging from 3 to 30 per cent, totaling, in cash, \$260,000.00, or an average of 13 per cent per annum. In 1915 it distributed a 200 per cent stock dividend, having a face value of \$400,000.00. There are now outstanding 6000 shares of stock valued at \$100.00 per share, or a total of \$600,000.00, while the property, as heretofore shown, has a book value of \$668,338.74. There are no bonds or other indebtedness.

In addition to the cash dividends paid, the company had, at the end of the year 1916, an accumulated depreciation fund of

\$147,158.09 and a surplus of \$59,610.05.

The estimated net income for 1917, based on actual results for the first nine months of the period, will approximate \$125,000.00, which represents nearly 21 per cent of the capital stock. It will be noted that the estimated operating revenue for 1917 will be \$89,704.55 greater than in 1916 and \$48,685.64 greater than in 1915. In making the estimates for 1917 the same amount is allowed for the depreciation fund as was set aside by applicant in 1916 and there is also no change made in the income from non-operating property, although the actual results of these two items may vary to some slight extent. The Commission has not gone into the merits of the deductions for depreciation but, superficially, they appear greatly in excess of applicant's requirements.

More or less testimony was introduced tending to show the ascending cost of supplies, as well as wages, due to the war conditions, but these same war conditions have greatly increased passenger travel between San Francisco and Vallejo (Mare Island Navy Yard) during 1917 and while some items of expense have materially increased the grand total of expenses has remained fairly constant, as illustrated by the preceding exhibit.

Applicant failed to prove by any testimony or exhibits that the existing freight rates are too low, per se, or that the proposed rates would be just and reasonable and, certainly, the financial condition of the company does not suggest a necessity for increases in revenue at this time.

An order will be issued denying the petition herein.

O R D E R

Application having been made by the Monticello Steamship Company for permission to increase its freight rates by 15 per cent, and a public hearing having been held and the Commission being fully apprised in the premises.

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that said application be and the same is hereby dismissed.

Dated at San Francisco, California, this 19th day of November 1917.

Max Thelen

H. D. Howard

Edwin O. Edgerton

Commissioners.

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DIVIDENDS PAID

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1911	12,000.00		6%	"
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