

The California Navigation and Improvement Company has been serving the territory between San Francisco and Stockton ever since its formation in 1889, at which time it succeeded to the interests of the California Steam Navigation Company and the San Joaquin Improvement Company. Witness for applicant testified that the history of the California Steam Navigation Company dates back almost to the Civil war and that the San Joaquin Improvement Company came into existence in the early eighties.

From the same source, it is learned that some two years after the organization of the California Navigation & Improvement Company the Union Transportation^{Company} was formed and operated in this section until about 1905, when it was taken over by the California Transportation Company which is one of the lines now serving this territory. Evidence shows that prior to 1912, applicant and its contemporaries were in severe competition with each other and with the rail carriers serving Stockton and other common points, as a result of which the steamer lines met with heavy losses.

Petitioner's witness testified that the California Navigation & Improvement Company would have been unable to overcome the serious losses due to the protracted rate struggle were it not for the fact that the stock holders also operated a tow boat and barge fleet entirely independent of the Navigation Company, the profits from which enabled the Navigation Company, in a measure, to recoup its losses.

Applicant owns six vessels, two of which—the steamers T.C. Walker and J.D. Peters—make trips daily, except Sunday, between San Francisco and Stockton, stopping at way landings enroute. The steamers Leader and J. R. McDonald are operated intermittently throughout the year, their function being to render an auxiliary service by gathering the freight at way landings where the amount of traffic is too great for the Walker and Peters to handle.

A barge, known as the Sperry, is now under lease to the Sperry Flour Company, which it is stated is for the purpose of facilitating the handling of the flour company's business by having shippers load the barge instead of their shipments being picked up by applicant's steamer. At Stockton a barge equipped with a hoisting apparatus is permanently employed for the purpose of lifting and lightering heavy castings and machinery. The distance traversed by steamer between San Francisco and Stockton is 103 miles.

Several exhibits were introduced by applicant and it was stipulated that the evidence in related steamer applications and any additional data submitted by either side, subsequent to the hearing, should be made a part of the record. Following is applicant's Exhibit No. 1 showing operating revenues and expenses for the calendar year 1916 with estimated figures for 1917.

CALIFORNIA NAVIGATION and IMPROVEMENT COMPANY
Comparative Statement of Operating Revenue, Expenses and Income

Year 1916-Actual			Year 1917-Estimated
Freight Revenue	\$161,322.83		\$219,278.59
Passenger Revenue	<u>69,010.26</u>	\$230,333.09	<u>69,010.26</u> \$288,288.85
Operating Expenses:			
Steamer Operation--			
Pay Roll & Labor	\$ 75,173.50		\$ 82,690.85(Inc.10%)
Fuel	13,467.06		13,467.06
Stores(Commissary)	27,634.31		34,542.89(Inc.25%)
Sundry Steamer Expense	12,185.83		13,404.41(Inc.10%)
Maintenance & Repair	<u>32,449.01</u>		<u>40,561.26(Inc.25%)</u>
	\$160,909.71		\$184,666.47
Agency--			
Salaries of Employes, Light, Water, etc.	\$ 17,633.79		\$ 17,633.79(Increase con- templated, if earnings per- mit)
General Office, includ- ing Officers, Clerks, Stationery Supplies and Rent			
	\$ 21,051.42		\$ 22,551.42(Inc.\$1500)
Advertising			
	655.25		655.25
Over Short and Damage			
	2,000.07		2,000.07
Accident and Casualty Insurance(Paid)			
	427.81		427.81
	4,040.00		4,040.00
Taxes			
	2,332.58		2,332.58
Compensation(Disability,paid)			
	528.20		528.20
Litigation & Legal	<u>4,547.81</u>	\$214,126.64	<u>2,500.00(Dec.\$2047.81)</u> \$237,335.59
Net Operating Revenue		\$ 16,206.45	\$ 50,953.26
Reserve for Depreciation and Reconstruction 7% on \$223,000			
	\$ 15,610.00		\$ 15,610.00
Reserve for Marine Insurance 6% on Reproduction value of \$444,000-less \$4040,paid			
	22,600.00		\$ 22,600.00
Compensation Insurance Less \$528.20,paid			
	4,660.30		5,160.30(Inc.\$500 due to Pay Roll & Com.)
Return on Investment 10% on \$223,000.	<u>22,300.00</u>	\$ 65,170.30	<u>22,300.00</u> \$ 65,670.30
Deficit		\$ 48,963.85	\$ 14,717.04

In addition to the above deficit, this Company's oil contract expires Oct. 1918 and the increase in price of oil based on present market conditions will be-- \$ 12,000.00

From this exhibit it will be seen that applicant anticipated being able to take full advantage of the proposed advances, if granted, and thereby increase its revenue about \$57,955 annually, but subsequent to the hearing a statement was filed showing that on account of withdrawal of rail applications to increase rates at common points, applicant will be unable to advance its rates above the present rail scale, which will have the effect of reducing the estimated increase in revenue for 1917 to approximately \$30,000.

The figures covering operating revenue and expenses for 1916 show the actual results of operation for this period but it is pertinent to state at this point that these figures are not fully representative of normal conditions.

During some six weeks of June and July, applicant's business was affected by a strike of its river boat employees. As a consequence its fleet was tied up for practically the duration of the strike, resulting in a considerable diminution of revenue and a corresponding reduction of operating expense. This will be more clearly evidenced by the following table compiled from monthly statement of revenues and expenditures for 1916, furnished by applicant at request of the commission:

Month	Revenue	Expense
May	\$23,137.75	\$17,552.95
June	\$ -	\$ 8,120.84
July	\$ 8,297.56	\$10,987.74
August	\$24,426.83	\$16,840.49

It will be noted that during June applicant's revenue was nothing and for July was only \$8,297.56 as against \$23,137.75 for the preceding month. It is fair to assume that under normal conditions

the revenue and expenses for the months of June and July would be equally as great as for the month of May.

The maintenance and repair item of \$32,449.01 in Exhibit No.1 is the actual amount spent for this purpose in 1916, which has been increased 25% in estimating the expense for 1917.

We believe that a more equitable method of estimating an annual expense of this kind is to average the amounts actually paid for a period of years. Accordingly, the Commission has had its Auditing Department make an examination of applicant's books from which we find that during the five year period, 1912 to 1916, (earlier figures being unavailable) the total amount expended for repairs to the four steamers was \$133,537, an average of \$26,707 per year, or in round figures, and making an allowance for the two barges, \$27,000.

A more accurate index of the situation for 1917 will be obtained from the following table which revises certain figures in Exhibit No.1 in conformity with the foregoing explanation:

	Year 1916	:	Year 1917.
Operating Revenue	\$268,311.03	:	\$298,311.03
Operating Expenses:		:	
Pay Roll & Labor	\$81,897.60	:	\$90,087.36 (Inc.10%)
Fuel	15,141.16	:	15,141.16
Stores (Comsy.)	28,921.33	:	36,151.66 (Inc.25%)
Sundry stmr.exp.	13,446.34	:	14,790.97 (Inc.10%)
Maintenance & Repairs	27,000.00	:	33,750.00 (Inc.25%)
Agency & General	54,919.36	:	52,669.12
	<u>\$221,325.79</u>	:	<u>\$242,590.27</u>
Net Operating Revenue	\$ 46,985.24	:	\$ 55,720.76

From this it will be seen that applicant's estimated net operating revenue for 1917 is \$55,720.76.

No account has thus far been taken of certain fixed charges consisting of reserve for depreciation and reconstruction, reserve for marine insurance, compensation insurance and return on investment, claimed by applicant as \$55,670.30, which, if deducted, will leave a deficit of \$9,949.54. It is unnecessary to pass herein on the exact amount to be allowed under these heads.

There was much argument at the hearing over the amount of \$15,610 representing reserve for depreciation and reconstruction, which is figured at 7% of the listed or book value of floating equipment. If this item were cut in half, there would still be a deficit of some \$2,000 with prospect of additional increased expense at the expiration of applicant's fuel oil contract in October 1918.

Applicant has been conservative in estimating the increased expenses for 1917. The cost of commissary supplies, which is one of the largest items, is increased 25%, whereas actual figures show a much greater percentage of increase, as will be readily illustrated by the following comparisons of actual prices paid for a few principal commodities:

Articles	Price		Percentage of Increase
	1916	1917	
Flour, per bbl.	\$ 6.40	\$15.00	134
Lard, per lb.	.14	.24	70
Condensed milk, per case	6.85	9.00	31
Canned Salmon, per doz.	.85	2.00	135
Olive Oil	1.30	3.00	130
Bacon, per lb.	.26	.34	30
Rice, per 100 lbs.	3.35	7.00	109

The increasing price of rope, which is used in large quantities is worthy of mention. An exhibit was filed consisting of three invoices showing the price of this commodity in 1915 at 11 cents per pound; in 1916, 14 cents; and in 1917, 30 cents or an increase of almost 200%. The conservatism shown in estimating the increased prices of commissary stores is also present in the instance of repair expense, the testimony in related cases showing the estimated increase of 25% to be a moderate figure. It is apparent these expenses will greatly exceed the figures shown in applicant's exhibit.

That the present 10-cent scale between San Francisco and Stockton is low, is self evident and requires no further substantiation. The following comparative table will serve to show the incongruity of the present adjustment.

Miles:	Between San Francisco and	Via	Class Rates in Cents per 100 Pounds.												
			1	2	3	4	5	A	B	C	D	E			
103	Stockton	Applicant	(Pres. :	10	10	9	9	7	7	6	5½	5½	5½		
			(Pro. :	20½	18½	16	14	12½	12½	10½	10	9	7		
91	Stockton	Rail	:	18	16	14	12	11	11	9	8½	8	6		
125	Sacramento	Water	(Landings inter- mediate to Stockton)	Applicant	:	22	20	17	15	14	14	12	9½	9	9
			(Pres. :	22	20	17	15	12	12	11	8½	8	8		
			(Order- ed in by Com- mission:	24	21	18	16	13	13	12	10	9	8		
48	Napa	Water	:	15	13	11	10	9	9	8	7	6	5		
30	Bonicia	Applicant	:	12	10	8	7	6	6	6	6	5½	5½		

From the preceding table, it will be noted that the class scale between San Francisco and Stockton, involving an arduous river service, is generally lower than for deep water movement between San Francisco and Benicia and considerably below the scale between San Francisco and intermediate river landings, thereby not only unduly discriminating as between localities, but placing an unjust burden upon other traffic.

Upon the facts of record, we are of the opinion that applicant has substantiated its contention that the existing rates are insufficient to yield a proper return in view of the increased expense of operation, and that application should be granted with the exception that rates, between San Francisco, Oakland and points common with rail carriers such as Crockett, Port Costa, Martinez and Bay Point shall not be increased to a figure exceeding the rail rates in effect between San Francisco and such points, and that rates between Stockton and rail common points shall not be increased to a figure above the rail rates between such points. Class rates between Oakland and river-way landings have been maintained a uniform three-cent differential over San Francisco and, without approving the reasonableness of such relationship, it will be ordered that in advancing such rates the present differential must not be exceeded.

The following form of order will be entered:

ORDER

The California, Navigation and Improvement Company, having applied, under Section 63 of the Public Utilities Act, to increase certain freight rates as set forth in the opinion which precedes this order, a public hearing having been held and the Railroad Commission being fully apprised in the premises,

The Railroad Commission hereby finds as a fact that the existing freight rates of petitioner are unremunerative and that the

rates herein established are just and reasonable rates.

Basing this order on the foregoing findings of fact and on the further findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED, that the California Navigation & Improvement Company, be and the same is hereby authorized to publish and file in tariff, effective thirty days after filing with the Commission, the following class rates:

Between Stockton and	Rates in Cents per 100 Pounds.									
	1	2	3	4	5	A	B	C	D	E
San Francisco Oakland	18	16	14	12	11	11	9	8 $\frac{1}{2}$	8	6
Crocket										
Port Costa	18	16	14	12	11	11	8	7	6	5 $\frac{1}{2}$
Benicia										
Martinez										
South Vallejo										
North Vallejo	18	16	14	12	11	11	8	7	6	5 $\frac{1}{2}$
Bay Point										
Pittsburg										
(Black Diamond)	15	14	11	10	9	9	8	7	6	5 $\frac{1}{2}$
Antioch	15	13	10	9	8	8	8	6	5 $\frac{1}{2}$	5 $\frac{1}{2}$

and to increase other class and commodity rates in conformity with the application and exhibit A, attached to the application and made a part thereof, except that rates between San Francisco, Oakland and rail common points shall not be increased to a figure higher than the rail rates between San Francisco and such points and that rates between Stockton and rail common points shall not be increas-

ed to a figure above the rail rates between such points.

Dated at San Francisco this 17th day of December, 1917.

Max Thelen

A. D. Howard

Edwin O. Edgerton

Frank R. Denton

Commissioners.