

DECISION NO. ____.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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ORIGINAL

In the matter of the application
of CALIFORNIA TRANSPORTATION
COMPANY for permission to increase
freight rates.

Application No. 2929.

Decision No. 1410

Sanborn & Roehl, for Applicant.
Seth Mann, for San Francisco Chamber
of Commerce.
G. J. Bradley, for Merchants & Manufacturers
Association of Sacramento.
H. M. Wade, for Oakland Chamber of Commerce
and certain San Francisco shippers.
H. W. Adams, for California Fruit Distributors
of Sacramento.
J.P. Irish Jr. and J.C. Sommers, for the
Stockton Chamber of Commerce.

BY THE COMMISSION:

OPINION

Applicant is a steamship company operating a line between
San Francisco and Stockton and between San Francisco and Sacramento.

Alleging that increased costs of operation render its ex-
isting freight rates unremunerative, applicant seeks authority,
under Section 63 of the Public Utilities Act, to increase by approx-
imately 15% the rates in its Local Freight Tariff No. 8 (C.R.C. No. 1)
and Local Freight Tariff No. 10 (C.R.C. No. 33) except in the follow-
ing instances where specific increases are requested :

		Class Rates in Cents per 100 Pounds.									
		1	2	3	4	5	A	B	C	D	E
Between	:										
Stockton	: Present	10	10	9	9	7	7	6	5½	5½	5½
and	:										
San Francisco	: Proposed	20½	18½	16	14	12½	12½	10½	10	9	7
Oakland	:										

It is proposed to cancel rate of 65 cents per ton on grain in lots of not less than 80,000 pounds from Stockton to San Francisco and Port Costa, which will subject such traffic to rates now in effect on lots of not less than 40,000 pounds viz: 90 cents to San Francisco and 80 cents to Port Costa; or, if the 15% increase is granted, \$1.03 $\frac{1}{2}$ to San Francisco and 92 cents to Port Costa.

Permission is also asked to cancel commodity rates between San Francisco and Sacramento, on pages 27 and 28 of Local Freight Tariff No.10 (C.R.C. No.33), applicable to lots of less than 20,000 pounds, allowing class rates, governed by Western Classification, to apply thereafter.

The California Transportation Company is one of the pioneers in the river traffic, having inaugurated service on the Sacramento River in 1856 by means of sailing sloops. This method of transportation was superseded by the use of steam boats during 1866, since which time a constant service has been maintained.

Applicant maintains two fleets of vessels which serve, respectively, the Sacramento River section and the territory between San Francisco and Stockton, latter involving movement over the San Joaquin, Mokelumne, Old and Middle Rivers.

Thus we have presented in this application two well defined situations entirely independent of each other which will be considered separately, and, to facilitate discussion, will be alluded to throughout this report as the Sacramento Division in the first instance and the Stockton Division in the second.

Addressing ourselves to that portion concerning the Sacramento Division, testimony discloses that in this section applicant operates six steamers, four of which are in use during the entire year and two for a period of three or four months of the year. Two trips daily, except Sunday, are made in both directions between San Francisco and Sacramento. A steamer leaves San Francisco at 3 p.m., stopping

at way landings enroute; another leaves at 6:30 p.m. making no freight stops at intermediate landings. In the reverse direction the method of operation is the same except that the hours of departure are 12 M and 6:30 p.m. During the fruit season, lasting from about the middle of June to the middle of August, the service is augmented by two additional boats which alternately leave San Francisco daily except Saturday at 6 p.m., serving the way landings and returning to San Francisco with fruit and produce.

The principal competitors of this company on the Sacramento River are the Southern Pacific Company and San Francisco and Sacramento Transportation Company, in addition to which are a number of irregularly operated craft. The distance via river between San Francisco and Sacramento is 125 miles.

Several exhibits were filed in support of application one of which, comparing the operating revenues and expenditures for 1916 with estimated figures for 1917, follows:

EXHIBIT NO 1 OF CALIFORNIA TRANSPORTATION COMPANY
Operating Between
SAN FRANCISCO AND SACRAMENTO AND SACRAMENTO RIVER POINTS.

YEAR 1916 - ACTUAL

YEAR 1917 - ESTIMATED

Freight Revenue	\$263,494.24	:	:	\$303,018.34 (inc.-15%)	
Passenger Revenue	98,220.06	:	:	98,220.06	
TOTAL		\$361,714.30	:1		\$401,238.40
<u>Operating Expenses</u>					
Steamer Operation-					
Pay Roll & Labor	\$134,445.05		:	\$148,289.55 (inc.-10%)	
Fuel	27,266.87		:	27,266.87	
Stores, Commissary	50,085.82		:	62,606.27 (inc.-25%)	
Sundry Stmr. Expenses	23,196.95		:	25,516.63 (inc.-10%)	
Maintenance & Repairs	28,594.82		:	34,744.92 (inc.-25%)	
	<u>\$263,589.51</u>		:2	<u>\$298,024.22</u>	
<u>Agency Expense</u>					
Salaries of Employees	\$ 20,709.48		:3	\$ 20,709.48	
Light, Water, etc.					
General Office and Administration	37,640.74		:4	39,140.74 (inc.\$1500)	
Maintenance of Reserve equipment	3,236.08		:5	4,045.13 (inc.\$770.)	
Fire Insurance	<u>5,546.05</u>		:6	<u>5,546.05</u>	
		\$330,721.86	:7		\$367,465.62
Net Operating Revenue		30,992.54		Net Operating Rev.	33,772.76
Reserve for Depreciation and Reconstruction at 6%	29,192.88		:8	29,192.88	
Do or Reserve Equipment	2,373.90		:9	2,373.90	
Reserve for Marine Insurance 6% on Replacement Value	56,900.00		:10	56,900.00	
Compensation Liability Insurance	8,905.82		:11	9,648.69	
<u>Return on Investment</u>					
In Operated Equipment at 10%	48,648.82				
In Reserve Equipment at 8%	3,165.07				
In Wharves & Landings at 8%	<u>3,208.00</u>		:12	<u>\$ 55,022.02</u>	
		\$152,394.49			\$153,137.49
Deficit for 1916 ---		121,401.95		Deficit for 1917 ---	\$119,364.73

In addition to the above Deficit, the Company's Fuel Oil contract expires on Oct. 31, 1918, and the increase in price of oil based on present market conditions will be - \$ 21,700.00

The apportionment of operating expense, as between freight and passenger traffic, was made by charging to each service such items as apply exclusively to such service and distributing the balance on a revenue basis, which figures $75\frac{1}{2}\%$ for freight and $24\frac{1}{2}\%$ for passenger expense.

It was stipulated between counsel that supplementary data to be furnished by applicant or protestants after the hearing would be considered in evidence.

The estimated revenue for 1917, shown in Item 1 of Exhibit No.1, is predicated on applicant's ability to take advantage of the entire increase prayed for but, subsequent to hearing, statement was filed showing that, due to the withdrawal of rail line applications to increase rates between common points, petitioner would not be able to avail its self of the full increases prayed for and that the total advance in revenue on the Sacramento Division would not exceed \$20,000.

Item No.2 of exhibit shows amount for maintenance and repair for 1916 of \$28,594.82 and estimated figure for 1917 of \$34,744.92. An examination by the Commission's Auditing Department of this Company's repair items comprehending a period of ten years, discloses an average yearly maintenance and repair expense for this division of \$39,863. which is more representative of an expense of this kind than by taking the amount for a single year.

By applying these corrected figures to Exhibit No.1 an entirely different picture is presented of the estimated results for 1917, as will be seen from the following table:..

ESTIMATED OPERATING REVENUE AND EXPENSES
FOR YEAR 1917.

1	Operating Revenue		\$381,714.30
	<u>Operating Expenses:</u>		
2	Steamer Operation-		
	A-Pay Roll and labor	\$148,289.55	
	B-Fuel	27,266.87	
	C-Commissary stores	62,606.27	
	D-Sundry Steamer Expense	25,516.63	
	E-Maintenance and Repairs (Average per year \$39,863, increased 25%)	49,828.75	
	TOTAL.....	\$313,508.07	\$313,508.07
3	Agency Expense		20,709.48
4	Gen. offices and admin- istration		39,140.74
5	Maintenance of reserve equipment		4,045.13
6	Fire insurance		<u>5,546.05</u>
	TOTAL OPERATING EXPENSES.....	\$382,949.47	<u>\$382,949.47</u>
7	Operating Deficit		\$ 1,235.17

Considerable discussion took place at the hearing concerning the amount allowed under Item 8 of Exhibit No. 1 for reserve for depreciation and reconstruction but eliminating this item entirely the estimated deficit for 1917 will be increased to approximately \$122,805 by including other items shown in exhibit, viz: marine insurance, liability insurance and return on investment.

The percentage of increase estimated for labor, stores and repairs seems to be very conservative, testimony in this and related cases revealing that some of the expenses greatly exceed the

estimate.

Permission is asked to cancel commodity rates on lots of less than 20000 pounds applying between San Francisco and Sacramento only. Under the present adjustment, the rates between these terminals are lower than at intermediate landings, owing to non-intermediate application. Their cancellation will remove the long and short haul violation and effect an adjustment more in harmony with established practices of rate making by subjecting such traffic to the class scale. This portion of application will, therefore, be granted.

Protestants spoke in terms of praise concerning the service between San Francisco and Sacramento rendered by the California Transportation Company and Southern Pacific Company and expressly stated they did not want this service curtailed. They were of the belief, however, that these carriers were unnecessarily duplicating service at the intermediate bank landings during the winter months.

This feature was considered in Application No. 2924 of the Southern Pacific Company and in decision of this date suggestions made as to re-arrangement of service on the part of the two companies. It will, therefore, be unnecessary to discuss this further in the present proceedings.

It has been conclusively shown that applicant is confronted with a large deficit for 1917 with prospect of greater burden with the expiration of its oil contract in 1918. While accuracy of the amounts charged off to reserve, insurance and return on investment may be questioned, we do not deem it necessary to further analyse them, as it could not substantially alter the general financial situation.

It has been shown that applicant renders an expedited service of great value to the shippers and receivers of freight along this route, a withdrawal of which will seriously affect those availing themselves of this kind of transportation.

It is equally apparent that if this service is to be continued, applicant, under the showing made, must be given some relief in the shape of increased rates.

Following are the present and proposed class rates, together with those applicable via rail; rates are stated in Cents per 100 pounds:

Item: No.	Between	And	Via	1	2	3	4	5	A	B	C	D	E
1	S.F.) Oakland)	Sacramento	Stmr.	(Pres. 22	20	17	15	12	12	11	8½	8	8
				(Pro. 25½	23	19½	17½	14	14	12½	10	9	9
2	"	"	Rail	24	21	18	16	13	13	12	10	9	7
3	S.F.) Sacto)	Way Land- ings on Sacto Riv.		(Pres. 22	20	17	15	12	12	11	8½	8	8
				(Pro. 25½	23	19½	17½	14	14	12½	10	9	9
4	Oakland)	Way Land- ings on Sacramento River.		(Pres. 25	23	20	18	15	15	14	11½	11	11
				(Pro. 29	26½	23	20½	17½	17½	16	13	12½	12½

Upon careful consideration of the evidence submitted, we are of the opinion that the present rates are unremunerative and that this portion of application should be granted, with the exception that class rates shown in Items Nos. 1 and 3 of preceding table shall not be increased to a figure exceeding the rail rates between San Francisco and Sacramento, as per Item No. 2.

Class rates, between Oakland and Sacramento River way landings, have been maintained a uniform three-cent differential over San Francisco and, without approving the reasonableness of such adjustment, it will be ordered that in advancing such rates the present differential over San Francisco must not be exceeded.

We shall now discuss the remaining portion of this application, comprehending movement on the Stockton Division.

In this section we find that petitioner's efforts are directed almost entirely to handling the delta traffic, only a weekly service being rendered by this company between San Francisco and Stockton. Two vessels are in use throughout the year, alternately leaving San Francisco daily, except Saturday, at 6 p.m., serving the bay^{and} river landings enroute and returning to San Francisco about 6 a.m. the following day. During the produce season, extending from approximately August to November, inclusive, two additional vessels are placed in operation in the delta section as an auxiliary to the regular service.

An exhibit was filed by applicant in support of its petition, which, in substance, follows, the expense as between freight and passenger traffic being apportioned in the same manner as exhibit for Sacramento Division:

EXHIBIT NO. 2 OF THE CALIFORNIA TRANSPORTATION COMPANY
OPERATING ON
SAN JOAQUIN, OLD, MIDDLE AND MOKULONE RIVERS AND TRIBUTARIES, INCLUDING
STOCKTON, CROCKETT, BENICIA, MARTINEZ, PITTSBURG AND ANTIOCH.

Year 1916-Actual		Year 1917-Estimated	
Freight Revenue	\$176,849.77	:	\$205,336.52
Passenger Revenue	<u>11,836.76</u>	\$188,686.52:	<u>11,836.76</u>
			\$217,173.28
Operating Expense:		:	
Steamer Operation—		:	
Pay Roll & Labor	\$ 96,884.81	:	\$105,553.29(Inc.10%)
Fuel	21,803.72	:	21,803.72
Stores(Commissary)	28,807.32	:	36,009.15(Inc.25%)
Sundry Steamer Expense	7,075.54	:	7,783.09(Inc.10%)
Maintenance & Repair	<u>14,936.91</u>	:	<u>18,671.14(Inc.25%)</u>
	\$169,508.30	:	\$189,820.39
Agency—Expense	\$ 13,806.32	:	\$ 13,806.32
General Office and Administration—	\$ 25,127.50	:	\$ 25,127.50
Maintenance of Reserve Equipment—	\$ 2,157.39	:	\$ 2,696.73(Inc.25%)
Insurance Paid—	<u>\$ 2,966.45</u>	\$213,565.96:	<u>\$ 2,966.45</u>
			\$234,417.39
-Operating Deficit		\$ 24,879.43:	\$ 17,244.11
Reserve for Depreciation and Reconstruction at 6% on Value of operated Steamers as \$185,300.00	\$ 11,118.00	:	\$ 11,118.00
Do. on Reserve Equipment 40% of Total Depreciation on \$65,941.82 as \$39,560.50	\$ 1,582.60	:	\$ 1,582.60
Compensation & Liability Insurance	\$ 4,857.92	:	\$ 5,343.30(Inc.\$485.38)
Marine Insurance on present cost of reproduction of Steamers operated—\$430,875.00 at 6%	\$ 25,852.50	:	\$ 25,852.50
Return on Investment, - 10% on \$185,300.00		:	
Operated Vessels --	\$ 18,530.00	:	\$ 18,530.00
40% of 8% on \$65,941.82		:	
Res. Equipment—	\$ 2,110.14	:	\$ 2,110.14
8% on \$45,060.94		:	
Wharves & Landings--	<u>\$ 3,604.88</u>	\$ 67,656.04:	<u>\$ 3,604.88</u>
			\$ 68,147.42
Deficit	\$ 92,535.47:		\$ 85,385.53
		In addition to above increased oil price after October 31, 1918	
			\$ 17,000.00

From the preceding table it will be seen that applicant's actual operating deficit for 1916 was \$24,879.43 and that this amount is further increased to \$92,535.47, if certain fixed charges are taken into consideration.

The estimated out-of-pocket amount for 1917 is \$17,244.11 and after adding such items as reserve for depreciation and reconstruction, insurance, and return on investment, an estimated total deficit of \$85,385.53 is established.

Applicant's expectation as to increased revenue for 1917 will not be fully realized, as it cannot avail itself of the entire increase, if granted, owing to necessity of meeting rail rates at common points, and therefore a greater deficit than that shown may reasonably be anticipated.

It is unnecessary to enter into an extended discussion of the situation portrayed by applicant's statement of operating results, as the exhibit itself conclusively demonstrates the urgent need of relief if this line is to continue to serve the useful purpose for which it was established.

This company, insofar as its operations on the Stockton Division are concerned, serves the same territory and is confronted with the same conditions as its co-petitioner, the California Navigation and Improvement Company, which have been fully considered in Decision of today in Application No. 2930. It will, therefore, be unnecessary to burden this report with a further discussion, as the conclusions reached in that case apply with equal force to the instant proceeding.

Following are the present and proposed, also rail, class rates between Stockton and San Francisco-Oakland:

Rates in Cents per 100 Pounds.										
	1	2	3	4	5	A	B	C	D	E
Present	10	10	9	9	7	7	6	5½	5½	5½
Proposed	20½	18½	16	14	12½	12½	10½	10	9	7
Rail	18	16	14	12	11	11	9	8½	8	6

After careful consideration, we are of the opinion that applicant's present rates in this section are insufficient to yield a proper return and that this portion of 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 the 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:

O R D E R

The California Transportation 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 finding of fact and on the further findings of fact contained in the opinion which pre-cedes this order,

IT IS HEREBY ORDERED, that the California Transportation 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	And	Class Rates in Cents per 100 Pounds.										
		1	2	3	4	5	A	B	C	D	E	
San Francisco	Sacramento	24	21	18	16	13	13	12	10	9	8	
Oakland												
San Francisco	Sacramento River	24	21	18	16	13	13	12	10	9	8	
Sacramento	Way Landings											
Oakland	Sacramento River	27	24	21	19	16	16	15	13	12	11	
	Way Landings											
	San Francisco	18	16	14	12	11	11	9	8½	8	6	
	Oakland											
	Crocket											
	Port Costa	18	16	14	12	11	11	8	7	6	5½	
	Benicia											
	Martinez											
Stockton	South Vallejo											
	North Vallejo											
	Bay Point	18	16	14	12	11	11	8	7	6	5½	
	Pittsburg	15	14	11	10	9	9	8	7	6	5½	
	(Black Diamond)											
	Antioch	15	13	10	9	8	8	8	6	5½	5½	

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

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

Max Thelen

W. H. Loveland

Edwin O. Edgerton

Frank R. Helm

Commissioners.