

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of
the San Francisco and Sacramento
Navigation Company for permission
to Increase Freight Rates.

Application No. 2931

Sanborn & Roehl for San Francisco & Sacramento Navigation Co.
Seth Mann for San Francisco Chamber of Commerce.
C. J. Bradley for the Merchants & Manufacturers Association
of Sacramento.
E.W. Wade for Oakland Chamber of Commerce and certain
San Francisco shippers.
E.W. Adams for California Fruit Distributers of Sacramento.

BY THE COMMISSION:

O P I N I O N

Applicant, a steamship line operating on the Sacramento River between San Francisco and Sacramento, alleges that owing to increased costs of operation its present freight rates are unremunerative and seeks authority, under Section 63 of the Public Utilities Act, to make the following increases in its Local Freight Tariff No. 1, C.R.C.No.1:

Class Rates between San Francisco and Sacramento
In Cents per 100 Pounds.

	1	2	3	4	5	A	B	C	D	E
Proposed	20½	18	14½	12½	10	10	9	8	7½	7½
Present	16	14	12	10	8	8	7½	6½	6½	6½
Increase	4½	4	2½	2½	2	2	1½	1½	1½	1½

It is proposed to cancel commodity rates between San Francisco and Sacramento and intermediate points, as shown on pages 9, 10, 11 and 12 of tariff applicable to quantities of less than 20,000 pounds, class rates, governed by Western Classification to apply thereafter.

In addition to the foregoing applicant requests authority to make an increase of approximately 15% in the remaining commodity rates.

Before proceeding to a discussion of the issues raised by this application a brief history of the organization and purpose of the San Francisco and Sacramento Navigation Company will be beneficial.

Prior to April 1, 1917, the Farmers' Transportation Company and the Sacramento Transportation Company operated in their individual capacities between San Francisco and Sacramento.

On the date mentioned, by virtue of agreement approved by this Commission in Application No. 2778, Decision No. 4182, the individual companies withdrew and the San Francisco and Sacramento Navigation Company assumed service between San Francisco and Sacramento. Operation of the vessels above Sacramento continued in the hands of the individual lines. This change was made in the interest of a more economical plan of operation, in pursuance of which the Farmers' Transportation Company and the Sacramento Transportation Company leased certain vessels to the operating company.

This leasing arrangement enabled the withdrawal of one sailing per week of the steamers of the individual lines between San Francisco and Sacramento where such service is unnecessary and the placing of these steamers in the upper river service where they are urgently needed.

The San Francisco and Sacramento Navigation Company established as its scale of rates between San Francisco and Sacramento the rates of either the Farmers' Transportation Company or the Sacramento Transportation Company whichever were lower.

Under the terms of the agreement each of the lessors pay all of the operating expenses of their respective vessels leased to the San Francisco and Sacramento Navigation Company and receive as rental the entire gross earnings of such vessels.

The lessee keeps no accounts whatever. Its sole function is that of an operating agency of the parent companies with respect to service between San Francisco and Sacramento and the revenues and expenditures of the San Francisco and Sacramento Navigation Company are merely a reflection of those of the Farmers' Transportation Company and the Sacramento Transportation Company.

Returning to the application, it is proposed to increase class rates from a 16 to 20½ cent scale.

The present rates are those of the Farmers' Transportation Company in effect at the time of consolidation. Following table shows rates of the former companies and those proposed by applicant. Rates are stated in cents per 100 pounds.

NAME	1	2	3	4	5	A	B	C	D	E
Farmers' Trans.Co.	16	14	12	10	8	8	7½	6½	6½	6½
Sacramento Trans. Co.	22	20	17	15	14	14	12	9½	9	9
S.F. & Sacto. Nav.Co. (proposed)	20½	18	14½	12½	10	10	9	8	7½	7½

The 22 cents scale is now in effect by Southern Pacific steamers and California Transportation Company.

From above showing it will be seen that the scale of class rates which it is proposed to establish is on a lower basis than that used by one of the original companies and now in force over the lines of its competitors, the Southern Pacific Company and California Transportation Company.

Applicant requests authority to cancel commodity rates applicable to lots of less than 20,000 pounds which will have the effect of placing such traffic under class rates. Commodity rates are usually granted in consideration of a large volume of traffic or where the peculiar requirements are such as to render it expedient to establish a lower basis than would ordinarily apply under the classification.

In the absence of good reasons to the contrary, general merchandise should be subject to the class scale and in this case we do not find any exceptional reasons which would justify a departure from the general rule.

This application in its entirety is based on a plea of insufficient revenue. In our preliminary and final reports on applications of the Farmers' Transportation Company and the Sacramento Transportation Company, Decisions 4507 - 4753 - 4754, the operating and financial conditions of these lines were fully discussed and it is therefore unnecessary to burden this report with a repetition of such information. It will suffice to redirect attention to applicant's exhibits showing that these lines are confronted with an estimated operating deficit for the year 1917 of approximately \$10,630.00, which would be increased to a total estimated deficit of approximately \$148,579.00 if petitioner's claims for return on investment at rate of 8% insurance and depreciation should be allowed, as to which matter it is unnecessary to reach a conclusion herein.

Attention may also again be called to testimony concerning increase in price of fuel oil, to the effect that with expiration of present contracts in the early part of 1918 an additional expense of \$44,000.00 yearly will be occasioned, based on the market price at time of the hearing.

The companies have endeavored to curtail operating expenses wherever possible, as evidenced by the consolidation above referred to, which, as near as can be estimated, effects a saving of some \$8,400.00 annually, but which will be diminished by an amount representing the loss of revenue due to less frequent sailings.

We believe it has been clearly shown that regardless of efforts made to eliminate expense, these lines are operating at a loss and are in urgent need of more revenue. With this fact established the duty of the Commission is apparent. The relief

prayed for must be granted unless it can be shown that the properties have been mismanaged or the rates proposed are unreasonable.

Evidence discloses that these lines have been carefully managed and that a most rigid economy has been enforced, notwithstanding which the companies have been unable to declare dividends or to set aside an amount for insurance or renewal of equipment. It is obvious that either relief must be granted or the lines will of necessity have to discontinue operations, and we are of the opinion that public convenience will be best served by permitting these carriers to continue the service they are now rendering.

After careful consideration of the circumstances and conditions surrounding this particular traffic, we are of the opinion that the increases requested are reasonable and should be granted. An appropriate form of order will be entered.

O R D E R

The San Francisco and Sacramento Navigation Company having applied, under Section 63 of the Public Utilities Act, for authority to increase certain freight rates, as shown in the opinion preceding this order, and a public hearing having been held and the 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

precedes this order,

IT IS HEREBY ORDERED that applicant be authorized to establish the following class rates between San Francisco and Sacramento:

Rates in Cents per 100 Pounds

1	2	3	4	5	A	B	C	D	E
20½	18	14½	12½	10	10	9	8	7½	7½

IT IS HEREBY FURTHER ORDERED that applicant be authorized to cancel commodity rates between San Francisco and Sacramento and intermediate points, applicable to quantities less than 20000 pounds, shown on pages 9, 10, 11 and 12 of its Local Freight Tariff No.1, C.R.C.No.1, and to increase by 15% the remaining commodity rates in this tariff in accordance with table of rates annexed to and made a part of application and marked Exhibit A, the increased rates to become effective twenty days after tariff containing the charges have been published and placed on file with the Commission.

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

Max Thelen
H. S. Leland

Edwin O. Edgerton
Francis P. White
 Commissioners.