

Decision No. 5996.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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Al Breitenbecker
and
Pingree Sugar Company

vs.

Kings Lake Shore Railroad
Company

ORIGINAL

Case No. 1261

Bronte M. Aikins, for Complainants.
Chas. King, for Defendant.

LOVELL, Commissioner:

O P I N I O N

This complaint alleges that defendant's rate of \$1.00 per ton on sugar beets, in carloads, from Liberty to Corcoran is discriminatory and excessive to the extent that it exceeds 75 cents per ton. Reparation is asked and the establishment of a reasonable rate for the future.

By stipulation, the matters of record in Application No. 3944, being petition of defendant carrier to make general increase in freight rates decided July 26, 1918, will be considered as being in evidence in this proceeding.

It was further agreed that the Commission's Auditing Department would make an examination of defendant's accounts and prepare a report which would also be considered as being in evidence.

Complainants contend that the existing rate is so high as to preclude the raising of sugar beets in this section at a profit and that it discriminates in favor of producers of grain.

Little testimony was presented in support of this contention, complainants' efforts being devoted mostly to showing that an agreement was entered into between the President of defendant carrier and property owners along its right of way, that freight rates similar to those of the Santa Fe and Southern Pacific Company would be established in consideration of a cash bonus to be paid the former within a certain period after completion of the road. Defendant denies this allegation and the question is resolved into one of fact which obviously cannot be determined from the record.

This, however, is of little consequence for, if the evidence in all other respects justifies such action, it would be incompatible with well established principles to hold that, because of violation of a contractual obligation, defendant should not be permitted to increase its rates.

The rate of \$1.00 per ton complained of from Liberty-or as the tariff shows, from Lib-to Corcoran is for a distance of 18 miles, while the rate for same distance over roads such as the Southern Pacific or Santa Fe, to which complainants direct attention, is 60 cents per ton.

It is not reasonable, however, to expect a road such as the defendant carrier to maintain rates on as low a basis as prevails on the lines cited in comparison where the volume of traffic, commercial and transportation conditions are entirely dissimilar. Rates that will yield a proper return for a large well established system may prove entirely inadequate for a small branch road.

In Application No. 3944, supra, this Commission, after taking into consideration applicant's financial condition and revenue requirements established as just and reasonable for the transportation of sugar beets, in carloads, from Harvester to Corcoran, rate of 80 cents per ton for a haul of 15 miles. The rate of \$1.00 per ton complained of from Lib to Corcoran is practically a proportionate increase over the Harvester rate for the additional distance.

Defendant carrier is peculiarly situated with respect to its operations. While it is necessary to maintain service throughout the year, the revenues of this Company are derived chiefly from the transportation of agricultural products during a period of some four or five months after the crops are harvested. It will therefore be seen that defendant must secure sufficient revenue in this short period to enable it to offset the deficit for the remaining months.

This is a newly constructed line, built to develop the country it traverses and dependent upon the growth of that section for existence. It should be encouraged to expand and not be retarded. If this road is to serve the useful purpose for which it was created, fair earnings should be allowed, thereby affording opportunity for extension of facilities and improvement in service with corresponding benefit to the territory tributary to its rails.

From an examination of defendant's accounts by the Commission's Auditing Department, it is learned that the capital expenditures amount to approximately \$265,000.00 and that present earnings are insufficient to yield a proper return on this investment.

If the building of this railroad was responsive to the needs of the farmers and shippers in this community, and such appears to be the case, as the testimony shows, they encouraged its construction by subscribing bonuses based on land holdings adjacent to its rails, no obstruction should now be placed in the way of its successful operation. It is suggested that a closer relationship between this carrier and its patrons would undoubtedly increase traffic with resultant diminution of the unit of transportation cost, which condition would ultimately reflect itself in lower rates to the benefit of all concerned.

Viewing the subject from the standpoint of revenue requirements, I am of the opinion that the rate of \$1.00 per ton on sugar beets from Lib to Corcoran has not been shown to be unreasonable and the case should be dismissed.

I submit the following form of order:

O R D E R

Complaint and answer having been filed in the above entitled proceeding, a public hearing having been held and the Commission being fully apprised in the premises,

IT IS HEREBY ORDERED, that the complaint be and the same is hereby dismissed.

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 this 16 day of December 1918.

Edwin C. Egan
W. D. Leonard
Alex Gordon
Frank R. DeWitt
Commissioners.