

Decision No. 6794

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of Pacific Steamship Company for)
an order authorizing increase in) APPLICATION NO. 4986.
freight rates between San Fran-)
cisco, Wilmington, Los Angeles,)
San Diego and intermediate points.)

McCutchen, Willard, Mannon & Greene, by Farnum Griffiths,
for Applicant,
H.A. Encell, for E.S. Rigdon of San Simeon and Cayucos,
John S. Willis, for San Francisco Chamber of Commerce.

LOVELAND, COMMISSIONER:

O P I N I O N

The Pacific Steamship Company, applicant herein, is a common carrier of freight and passengers between points located within the State of California, of interstate traffic between California ports and ports north of the State line to and including Alaska and also operates vessels on behalf of the U.S. Shipping Board. The territory served by this applicant was formerly covered by the vessels of Pacific Coast Steamship Company, which company retired November 1, 1916 because of the situation developed by the war necessities.

The principal ports reached by applicant in California between which it seeks to increase its freight rates under this application are San Francisco, Los Angeles, Wilmington and San Diego. The present rates are published in P.S.S.Co. Freight Tariffs 30-A, C.R.C.No.16, 33-B, C.R.C.No.18 and 32-C, C.R.C.No.17, while the proposed rates are set forth in Exhibits A, B and C, attached to

and made part of the application. The latter tariff also carries rates between the local ports of San Francisco, Santa Cruz, Monterey, San Luis Obispo and Santa Barbara on what is known as the Narrow Gauge Route, covered by a separate application (No. 4987), therefore no consideration will be given the Narrow Gauge rates in this proceeding. All of the rates here under consideration became effective June 25, 1918 and were increased at the competitive points on that date by approximately 25%, to conform with the advances made by the Director-General of Railroads under his General Order No. 28.

The principal increases now proposed are $2\frac{1}{2}$ cents per 100 pounds in all of the class rates between Los Angeles and San Francisco; 5 cents per 100 pounds in the class rates between Los Angeles and San Diego; 4 cents per 100 pounds in class rates between San Francisco and Wilmington and an increase in all of the class rates between San Francisco and San Diego to the basis of the proposed rates between Los Angeles and San Francisco, the increases in the San Diego class rates ranging from $5\frac{1}{2}$ cents to 16 cents per 100 pounds. Some of the commodity rates between Los Angeles and San Francisco are also advanced, the changes affecting the important commodities to the extent of from $1\frac{1}{2}$ cents to 5 cents per 100 pounds.

Applicant bases its request for the higher rates upon the increased operating costs, particularly in the items of fuel oil, wages of longshoremen, crews, officers and shop employees, insurance, maintenance of freight and ticket offices, provisions, supplies and laundry. A number of exhibits are attached to the application setting forth in detail the financial condition of the company, its operating revenue and expenses and the value of the steamers employed in the California territory.

Applicant, in its domestic traffic, operates a fleet of some twenty vessels, ranging in capacity from the Steamer Homer with 501 to the Steamer Governor with 5474 gross tons register.

The book value of petitioner's vessels used in intrastate service over the San Francisco-San Diego route, exclusive of the Steamer Homer, as of July 31, 1919, was as follows:

DOWRY	\$ 418,111.32
Farragut	422,258.37
Governor	1,458,298.36
President	1,408,309.67
Queen	344,238.05
Schley	418,548.71
Spokane	309,509.83
TOTAL-	<u>\$4,779,574.31</u>

With the exception of the Steamer Spokane, which operates exclusively between San Francisco and Wilmington, these vessels are used between Seattle and San Diego handling intrastate tonnage in connection with the through traffic. In addition to the investment in steamers, as set forth in the application, petitioner also owns other property engaged in the service, such as docks, terminal equipment and office furniture, but in view of the fact that the changes in rates contemplate no revenue for return upon investment, it will not be necessary for the benefit of this proceeding to require a valuation of the entire property.

Exhibit E, attached to the application, sets forth that for the seven months ending July 31, 1919 the Puget Sound-Southern California Route, south of San Francisco had a gross revenue of \$1,013,121.77 and an operating expense, including insurance and depreciation but exclusive of taxes, of \$1,179,585.06, leaving net earnings (deficit) of \$166,463.29, a ratio of operating expenses to earnings of 116.43%.

In another statement it is shown that the average loss per month for the entire property during the first seven months of 1919 was \$70,717.73 and it is estimated the monthly loss under the increased operating expenses assumed on August 1, 1919 because of increases in-wages will, under the present rates, result in an average monthly loss of \$169,028.12.

Taking the property as a whole, applicant alleges that its total losses for the seven months ending July 31, 1919 were \$495,024.14 and that its estimated losses for the five months ending December 31, 1919 will be \$845,140.60, making a total estimated loss for the year 1919 of \$1,340,164.74. It is also estimated that, under the present rates and the increased wage schedule effective August 1, 1919, the loss for one year covering the entire property will total \$2,028,337.14; (includes state, interstate and foreign).

Exhibit F compares operating costs for the months of July-August, 1918 with July-August, 1919 and without going into a complete review of this exhibit it will suffice to call attention to the more important changes and average increases, viz: Fuel Oil from 21% per barrel at San Francisco to 148% per barrel at San Pedro. These radical increases were caused by the expiration of old oil contracts entered into several years ago when the price of this commodity was low. Longshoremen's wages were increased 25%; the wages of crews and officers show increases ranging from 13.56% in the Purser's Department to 27.22% in the Engineer's Department; office expenses show various increases ranging from 20.60% to 43.97% and the cost of provisions from 3% to 27%.

As illustrative of the changes in wages the testimony shows that on the Steamer Queen the master was increased from \$275.00 to \$343.00 and the chief engineer from \$225.00 to \$318.00 per month. The longshoremen's wages have been advanced from 80 cents to \$1.00 per hour and their overtime pay from \$1.20 to \$1.50 per hour.

A check was made in connection with the Steamer Spokane operating exclusively between San Francisco and Wilmington and it was found, with a freight revenue of \$158,609.00 that the stevedoring of the freight costs \$85,146.00, or a ratio of 53.7%.

Exhibit G, an estimate of the increased operating expenses for a seven-months' period under the advanced costs effective August 1, 1919, shows the following:

Wages, Deck Department	\$ 8,217.59
Overtime, handling cargo, Deck Dept.	4,222.50
Other overtime, Deck Department	2,074.53
Wages, Engineers' Department	8,015.72
Overtime, " "	1,711.88
Wages, Stewards' Department	9,794.15
Wages, Purser's, Freight Clerks, etc.	1,110.03
Overtime, Stewards' Department	3,522.48
Provisions,	10,304.46
Stevedoring Freight	67,217.25
Stevedoring Baggage	1,142.15
Stevedoring, Sorting, Piling, etc.	523.30
Board Money	1,144.75
TOTAL - - -	<u>\$119,000.79</u>

This exhibit is intended to illustrate that had the wages, etc. made effective August 1, 1919 been in effect January 1, 1919, the loss on California intrastate traffic for the seven months ending July 31, 1919 instead of being \$166,463.29 would have been \$285,464.08, without considering the pro rata of overhead expenses, which, if added, would have made a total loss in excess of \$300,000.00.

The total freight traffic handled between the intrastate points covered by this application for the year 1918 was 157,626 tons. During the first six months of the year 1919 the tonnage carried was as follows:

San Francisco and interior points,	
via Wilmington	- - 11,450 tons
San Francisco and Los Angeles	- - 48,356 "
San Francisco and San Diego	- - 13,370 "

a total of 73,176 tons, indicating that the grand total for the year 1919 will be somewhat less than that handled in the year 1918.

A witness for applicant estimated that the increases in freight rates would add approximately \$150,000.00 per annum to the gross revenue; he explained further that the rates on some commodities have not been increased at all, for the reason that the present rates are so close to the rates being assessed by the competing railroads any further increase in the steamship rates would result in a loss of tonnage.

Another witness for the company testified that other and further relief was being sought through application made to the Interstate Commerce Commission and the U.S. Shipping Board, but that the continual increases in operating costs has placed the coastwise steamship lines in a very precarious situation, due to the short haul traffic and the frequent and expensive handling of the freight. In his opinion, unless conditions improve, or another increase in rates, predicated upon an increase in the expected advance in rail rates, is secured, the operations of these steamers cannot be maintained.

Commercial organizations at San Francisco, Los Angeles, San Diego, Santa Cruz, Monterey and Santa Barbara were notified of the hearing to be held in this proceeding; notices were published in the daily press of the three first-named cities; posted on applicant's wharves at Moss Beach, San Simeon, Cayucos, Port San Luis and Wilmington, but notwithstanding this publicity no one except a representative from San Simeon-Cayucos appeared in opposition and the interest manifested by San Simeon and Cayucos was directed against a discontinuance of the service rather than the volume of the rates. The San Francisco Chamber of Commerce and the Associated Jobbers of Los Angeles announced, through their authorized representatives, that upon the showing made they could offer no opposition to the applications being granted.

The instant application is one of four (Nos. 4963-4986-4987-4988) heard together October 9th, with the stipulation that

relevant testimony would^{be}/used in connection with the different applications. and in view of the fact that the financial situation is reviewed in this opinion, the details will not be repeated in the opinions and orders in the other three proceedings.

From all the exhibits and testimony presented in connection with this proceeding, the conclusion is inevitable that applicant must have additional revenue to enable it to continue its business and maintain a service that will meet the requirements of the traveling and shipping public.

I find as a fact that the present freight rates are unremunerative and that the rates proposed in Exhibits A, B and C, attached to and made part of the application, are just and reasonable.

I recommend that the application be granted and submit the following form of order:

O R D E R

Public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision and the Railroad Commission having reached the conclusion that the rates now being charged are unjust and unreasonable.

IT IS HEREBY ORDERED that the Pacific Steamship Company be authorized to establish within twenty (20) days from the date of this order the increased rates as set forth in Exhibits A, B and C

attached to and made part of this application, which rates are found to be just and reasonable.

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, California, this 27th day of October 1919.

Edwin O. Edgerton

H. D. Leonard

Frank R. Gerber

H. H. Brundage

David Martin
Commissioners.