

Decision No. 8369

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application)
of South San Francisco Belt Railway,)
a corporation, for an order author-)
izing it to increase its rates for)
switching carload traffic at South)
San Francisco, California.)

ORIGINAL
APPLICATION NO. 6192

Sanborn & Roehl, for applicant.
M. E. Van Dine, R. T. Boyd, and Bishop & Bahler,
for the Growers' Rice Milling Company, protestant.

LOVELAND, Commissioner -

O P I N I O N

This is an application by the South San Francisco Belt Railway, under Section 63 of the Public Utilities Act, for authority to increase the switching charges between the interchange tracks of the Southern Pacific Company and the industries located on its rails.

The present tariff provides a rate of \$2.50 for the first car, and \$1.00 for each additional car.

It is proposed to establish a flat rate of \$3.50 for every loaded car.

The Company was incorporated November 20, 1907, under the laws of the State of California and has 3.19 miles of standard gauge track, two locomotives, a machine shop and other property and equipment necessary to the rendering of the service. A statement attached to the application shows that as of May 1, 1920,

the property had a book value of \$94,929.55 and that since the commencement of operation to May 1, 1920, the total deficit has amounted to \$57,039.82. The property has never been valued by this Commission and since the application in this proceeding is not for the purpose of securing a return upon the investment but is for the purpose of reducing the annual operating deficit, it will not be necessary to make any valuation, however, a witness for applicant testified that the Interstate Commerce Commission had fixed the reproduction cost of the property at \$82,064.00 and the reproduction cost less depreciation at \$65,590.00.

During the month of April 1920, the total revenue was \$1,157.00 while the total operating expenses were \$3,038.32, or a net loss for the month of \$1,881.32. For the first four months of 1920 the total revenue was \$5,918.00 and the total operating expenses \$13,864.74, or a loss for this 4 months period of \$7,946.74. The annual report for the year ending December 31, 1919, shows a total railway operating revenue of \$13,782.00, total operating expense of \$39,566.16, a net loss from railway operations during this year of \$25,784.16.

The applicant has no salaried officials, the operation of the line being handled by the employees of the Western Meat Company and no charge is made against the Belt Railway except a charge of \$5.00 per month allowed the Western Meat Company's Accounting Department for keeping the books and performing the other necessary clerical work.

During the year 1919 applicant handled 9,120 cars at an average charge of \$1.51 and, as heretofore stated, secured a revenue during the year of \$13,782.00. Under the rate of \$3.50, as proposed, the total revenue for handling the same number of

cars would be \$31,920.00, which would leave a deficit over the actual operating expenses including depreciation of \$7,646.16, this based on the operating expenses for 1919. To secure the actual operating expenses and depreciation, it would be necessary to make a charge of \$4.34 per car and if a return were to be secured upon the claimed investment, a charge of \$5.00 per car would be necessary.

Applicant serves some 12 or 13 industries, but approximately 65% of the service rendered is on behalf of the Western Meat Company, which organization apparently is in control of the railway and no doubt the line was constructed primarily to serve this company.

Only one interested shipper appeared in opposition to the increases asked for, and this objection was principally upon the ground that when the industry was located and the factory site secured from the South San Francisco Land & Improvement Company, the selling agent gave the assurance that the industry would very soon be placed upon a parity with competing industries within the San Francisco switching limit, for the reason that the Southern Pacific Company would take over this Belt Line and thereafter absorb the switching charges.

Testimony shows that a lease of the San Francisco Belt Line to the Southern Pacific Company was contemplated prior to federal control but that all negotiations were suspended during the war and no efforts have since been made to carry out the original plan. The proposed rate of \$3.50 per car, when consideration is given to the number of cars moved per annum, is not excessive and, unless the volume of traffic increases, will not produce sufficient revenue to even pay operating expenses and taxes, to say nothing of depreciation or return upon investment.

The Commission's Auditing Department has since the hearing made a complete check of the books of the applicant covering the year 1919 and for the first nine months of 1920, and rendered a statement showing revenues and expenses and, while some of the items of operating expenses should have been differently segregated, no changes effecting material results were found.

After giving consideration to all of the testimony and exhibits, I am of the opinion that the application should be granted.

ORDER

A public hearing having been held in the above entitled proceeding, testimony having been presented and 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 South San Francisco Belt Railway be authorized to establish within twenty days from the date of this order a rate of three dollars and fifty cents (\$3.50) for switching loaded cars between points located on its rails.

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 26th day of November, 1920.

Edwin C. Edgerly
W. D. Loveland
Frank P. Dyer
H. R. Brundage
Dwight Martin
COMMISSIONERS.