

Decision No. F378

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

Smart & Final Company,  
a corporation,  
Complainant, )

vs. )

The Pacific Steamship Company,  
a corporation,  
Defendant. )

CASE NO. 1479.

Scarborough, Fergy & Reinhaus, by Mr. Reinhaus,  
for Complainant,

Groscup & Morrew, by W. A. Johnson, and McCutchen, Willard,  
Mannon & Green, by Allan P. Matthew, for Defendant,

F. P. Gregson, for Interveners,

C. F. Waite, representing San Pedro Chamber of Commerce,

O. T. Halpling, representing San Pedro-Wilmington Joint  
Traffic Association.

LOVELAND, COMMISSIONER:

O P I N I O N

Complainant is a corporation engaged in the wholesale  
grocery business, with a branch office and warehouse at Wilmington,  
Los Angeles County.

By this proceeding, filed August 13, 1920, it is alleged  
that the rate on sugar, in carload quantities, moving from San  
Francisco to Wilmington by defendant's steamers, is discriminatory  
and unreasonable in favor of Los Angeles and against Wilmington.

The warehouses of complainant were established at Wilmington in November, 1915, by reason of the harbor facilities and the fact that the steamship rates at that time were lower than the rates to Los Angeles. Wilmington is on the Los Angeles harbor about twenty miles from Los Angeles and in addition to being served by the Pacific Steamship Company, defendant in this proceeding is also reached by the rails of the Southern Pacific Company, the Pacific Electric Railway and the Los Angeles & Salt Lake Railroad, with which railroads joint rates are in effect.

The evidence indicates that the main contention is, not that the rate is unreasonable per se, but that Wilmington being on the harbor should have a wider differential against Los Angeles than exists under the present adjustment.

Complainant alleges that the present rate places it at a disadvantage in competition with Los Angeles wholesale grocers and refers to the fact that during the past few years the differential existing between Wilmington and Los Angeles has been gradually narrowed by the rate adjustments and the increases brought about by the Federal Government during the period of the war and by reason of the situations created by the war, until today, when all of the elements are taken into consideration the Wilmington rates are very close to those applying from San Francisco to Los Angeles.

The following table contrasts rates on sugar, carloads, from San Francisco to Los Angeles with the rates to Wilmington on

the dates shown. The rates are stated in cents per 100 pounds.

		<u>Los Angeles</u>	<u>Wilmington</u>
June	24, 1918	17½	13½ A
June	25, 1918	22	17 A
May	15, 1919	21½	17 A
November	8, 1919	23½	24 B
January	16, 1920	23½	23 C
August	26, 1920	29½	28 D

A - Rate as published includes wharfage and handling charges.

B - Freight rate 21 cents, plus 3 cents wharfage and handling.

C - Freight rate 20 cents, plus 3 cents wharfage and handling.

D - Freight rate 25 cents, plus 3 cents wharfage and handling.

The table set forth above shows that Wilmington had a differential over Los Angeles of 3½¢ per 100 pounds on June 24, 1918; 5¢ per 100 pounds on June 25, 1918; 4½¢ per 100 pounds on May 15, 1919, and was at a disadvantage of one-half cent per 100 pounds on November 8, 1919. The adjustment on this latter date was a mistake in tariff publication, which was corrected January 16, 1920, giving Wilmington a differential of one-half cent per 100 pounds. On August 26, 1920, when all freight rates were again readjusted, following the decision of the Interstate Commerce Commission and of this Commission, in conformity with the provisions of the Transportation Act, the differential in favor of Wilmington was increased to 1½¢ per 100 pounds, or 30¢ per ton, which adjustment is now in effect.

The evidence of defendant showed that the rates on sugar from San Francisco to Wilmington and to Los Angeles are influenced to a very great extent by the rates of the rail carriers operating

between San Francisco and Los Angeles-Wilmington. The rail carriers provide industrial switching service at both terminals and there is no charge in addition to the published rate, while the rates published by the steamship lines to Wilmington and Los Angeles do not include certain terminal expenses, State toll and marine insurance, which the shipper is required to pay in addition to the published transportation rates.

The records show that approximately 90% of the tonnage passing through Wilmington in connection with the Pacific Steamship Company is destined Los Angeles.

Prior to November, 1919, the wharfage and handling charges were included in the Wilmington rates and the separate charges were established by reason of the increased operating costs, which made it impossible for the boats to continue the absorption of these costs in the transportation rates to Wilmington.

The records of this Commission disclose that the Pacific Steamship Company has not been operating at a profit in the handling of its coastwise intrastate traffic, and during the war period was permitted to increase rates to meet existing conditions. After an exhaustive hearing and an investigation, this Commission, under date October 27, 1919, Decision No. 6794, Application No. 4986, authorized increases in defendant's rates, and, as before stated, further advances were authorized on August 26, 1920, when a general increase in all rates of 25% went into effect.

It is claimed that the coastwise traffic at the present time is not profitable under the high operating costs and limited

tonnage and that were it not for the rates maintained by rail competitors the present schedules would not be continued.

The San Pedro Chamber of Commerce filed at the hearing an application in intervention and endeavored to enlarge the original complaint by calling into question all of the freight rates of this defendant applying to Wilmington, alleging discrimination in favor of Los Angeles. Objection was made to enlarging the issues and this application to intervene was denied.

The Associated Jobbers of Los Angeles filed prior to the hearing its petition of intervention, based on the grounds that it was interested in the maintenance of just, reasonable and nonprejudicial rates on sugar from San Francisco to Los Angeles. By the testimony of a witness it was shown that in many ways the jobbing firms at Los Angeles were at a disadvantage in competing for business with the firms located at Wilmington; also that in the territory adjacent to Wilmington, especially the beach cities, such as Redondo, Long Beach and San Pedro, the Wilmington jobbers had a decided rate advantage over Los Angeles whether the sugar moved by rail or by auto trucks.

The rate of the Southern Pacific Company on sugar in carload lots from San Francisco to Los Angeles was made 35 cents per 100 pounds on August 26, 1920, while the rate of the Pacific Steamship Company and its rail connections on the same date became 29½ cents per 100 pounds, a differential of 5½ cents per 100 pounds. A witness for defendant testified that this small difference in rates between the all-rail and the water and rail route made it difficult to secure the tonnage to the water route, by reason of the

fact that in addition to the transportation charge of 29½ cents the shipper must assume the terminal charge at San Francisco, the State toll and the marine insurance, and that tonnage secured by defendant was due to the expedited/ especially during the periods of car shortage. Under the circumstances, this defendant cannot increase the Los Angeles rate and expect to hold any of the traffic against the rate made by the all-rail competitor.

It has not been shown by any of the testimony that the rates to Los Angeles or to Wilmington are excessive or unreasonable, neither is there any positive showing that a discrimination exists in favor of Los Angeles against Wilmington. The distance from San Francisco to Los Angeles is approximately 475 miles and usually rates to the port are lower than to inland points, but where competition exists, such as prevails in this situation, it is not uncommon to find a very low differential on even a blanket of the rates.

At the time this proceeding was filed, August 13, 1920, Wilmington had a differential of one-half cent per hundred pounds in its favor; by the adjustment made August 26, 1920 the differential was increased to 1½ cents per 100 pounds.

Upon all of the facts of record, I am of the opinion and find that the rate attacked is not shown to be unreasonable or unjustly discriminatory. The Complaint should be dismissed.

#### O R D E R

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted, the Commission

being fully advised and basing its order on the finding of fact as contained in the foregoing opinion,

IT IS HEREBY ORDERED that this 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, California, this 26<sup>th</sup> day of November, 1920.

Edwin P. Egan  
H. D. Ireland  
Stewart R. Brown  
H. B. ...  
Dwight ...  
Commissioners.