Decision No.

EFORE THE RAILFOAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of THE RIVER LINES (The California Transportation Company and Sacramento & San Joaquin River Lines, Inc.) for a certificate of public convenience and necessity authorizing a highway common carrier truck service between San Francisco and Bay points and Sacramento.

Application No. 20785 (Supplemental)

McCUICHEN, OLNEY, MANNON & GREENE, by F. W. Mielke, for applicant.

ANSEL WILLIAMS JR. and A. J. GALEN, for Southern Pacific Company and Pacific Motor Trucking Company, interested parties.

BEROL & HANDLER, by Marvin Handler, for Valley Express Co. and Valley Motor Lines, protestants.

- J. C. SOMERS, for Stockton Chamber of Commerce. interested party.
- J. RICHARD TOWNSEND, for Stockton Port District, interested party.

RILEY, Commissioner:

QPINION

(1) By its application, as amended, The River Lines, which is engaged in the operation of vessels as a common carrier of persons and property over the inland waters of this State, seeks a certificate of public convenience and necessity authorizing the establishment of an alternative and supplemental motor truck service, as a

⁽¹⁾ Under authority granted by this Commission (Decisions Nos. Onder authority granted by this Commission (Decisions Nos. 24420 and 28853), applicants The Californie Transportation Company and Secremento & San Joaquin River Lines, Inc., op-erating under the name of The River Lines, are engaged in the transportation of freight by water. Hereafter, they will be referred to collectively as The River Lines.

highway common carrier, as defined by Section 2-3/4, Public Utilities Act, for the transportation of property (1) from Oakland to Stockton, and (2) between Oakland and Sacramento, via Hayward, Tracy and Stockton. Traffic will be transported from Oakland to Stockton only; none will move from Stockton to Oakland, nor between or to or from intermediate points. Between Oakland and Sacramento applicant proposes to operate via Tracy as an alternative route, in addition to its trucking service presently conducted between Oakland (2) and Sacramento via Vallejo. Authority is sought to consolidate the Oakland - Sacramento operations, via both routes, with the Oakland -Stockton service. Traffic moving to or from San Francisco will not be affected.

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The granting of this application was protested by Valley Express Co. and Valley Motor Lines. The Stockton Port District, Southern Pacific Company, Pacific Motor Trucking Company, and the Stockton Chamber of Commerce appeared as interested parties.

A public hearing was had at San Francisco, when evidence was received. The matter has since been orally argued and briefed, it has been duly submitted and now awaits decision.

Under applicant's present method of operation, less-thancarload traffic originating at Oakland and other East Bay points, which it serves is picked up by Haslett Warehouse Company, operating

-2-

⁽²⁾ By Decision No. 31209 rendered in this proceeding August 15, 1938, applicant was authorized to operate a motor truck service, as a highway common carrier, between San Francisco and Sacramento, and "between Oakland and Berkeley, on the one hand, and Sacramento, on the other, via Vallejo and The American Canyon route, Fairfield, Vacaville, Dixon and Davis." The service authorized was to be conducted "as an alternative and supplemental service to the existing service of The River Lines by vessel between San Francisco, Oakland and Berkeley, respectively, and Sacramento." We are not concerned here with the operation between San Francisco and Sacramento.

under contract with applicant, and delivered to the latter at its Oakland terminal located at the foot of Webster Street. There it is loaded on a switching vessel, transported across San Francisco Bay and unloaded at Pier 3, applicant's San Francisco terminal, where it is reloaded on the line-haul vessel. This in turn transports the freight to Stockton where it is unloaded and delivered to store door by applicant's trucks. The water service is conducted over San Francisco Bay and the San Joaquin River.

In the handling of this traffic, many delays are encountered. All freight is held at the Oakland terminal until 5:45 P.M., the closing hour. To allow adequate time for checking and handling, the switching boat frequently does not leave Oakland before 6:30 P.M. Ordinarily, the crossing consumes an hour, and then the freight must be reloaded on the line-haul vessel. Because of the competitive nature of this traffic, deliveries at Stockton should commence not later than 8:00 o'clock on the morning following the day of shipment. To permit this, the line-haul boat should arrive not later than 6:00 A.M., since approximately two hours must be consummed unloading the cargo to the dock and reloading lessthan-carload shipments on the delivery trucks.

Frequently applicant has found itself unable to provide the expeditious delivery this traffic requires. On some occasions these delays were caused by weather conditions; more often they were due to the transfers encountered in handling the traffic. From a statement introduced, it appears these delays have been substantial, frequently extending from twenty minutes to one hour and occasionally

-3-

(3) exceeding one hour. Throughout this period, it was shown, weather and tidal conditions were more favorable than usual; during other years, longer and more frequent delays have occurred.

Applicant's inability to assure punctual and timely delivery of freight destined to Stockton has operated to its disadvantage. The greater part of the tonnage moving from Oakland to Stockton, comprising, for the most part, less-than-carload shipments, requires store door delivery. This traffic is highly competitive, (4) the consignees in most instances demanding expeditious service. The delays encountered have given rise to frequent complaints from the shippers. San Francisco traffic, also handled by the same line-haul vessel, is equally affected by these delays and subject to similar complaints. Though the volume of the tonnage moving to Stockton was not shown, the record discloses that it substantially (5) exceeds that originating at Oakland.

To obviate these delays, applicant proposes to handle by truck, traffic originating in Oakland and East Bay points and

- (4) From the testimony of J. H. Anderson, applicant's traific manager, it appears that 90 per cent of this traffic requires store door delivery; 85 to 90 per cent of it requires expedited handling. (Tr. pages 518 and 576)
- (5) Witness Anderson testified that the volume of the traffic moving from San Francisco to Stockton "is much greater than that from Oskland to Stockton." (Ir. page 537)

⁽³⁾ Exhibit No. 1 discloses that during the seven months' period comprising July, 1938 to January, 1939, inclusive, the arrival of the line-haul boat at Stockton was delayed on 43 days. On 15 occasions the delays ranged from 5 to 20 minutes; on 20 occasions they varied from 20 minutes to one hour; on 8 occasions they exceeded one hour, the boat on one trip being one hour and thirty-five minutes late. As applicant made approximately 148 trips during this period, that proportion of the total when delays exceeding 20 minutes occurred may be estimated at 18.9 per cent.

destined to Stockton and Sacramento, transporting this from its Oakland terminal to its terminal at Stockton and to Sacramento. This operation, as we have said, will be conducted in conjunction with the present Sacramento service which, to this extent, will be rerouted, though it is not suggested that operation via Davis be abandoned. The trucks will traverse U. S. Highway No. 50, operating between Oakland, and Sacramento, via San Leandro, Dublin, Hayward, Livermore, Tracy, Stockton, Lodi and Galt.⁽⁶⁾

Following applicant's stipulation consenting to the limitation of the proposed service as described in paragraph III of the supplemental application, as amended, (7) and providing that any certificate authorizing such a service should be so restricted and should contemplate only a service supplementing the vessel operations

(6) By the application as amended (paragraph III) applicant proposes to handle freight eastbound from Oakland to Stockton via San Leandro, Dublin and Tracy. Freight destined from Oakland to Sacramento will also be handled over this route at applicant's option; should occasion arise, it will continue-to move via Davis. The return trip will be made via Stockton or Davis at applicant's convenience. Applicant will handle no freight from Stockton to Oakland, between Stockton and Sacramento, nor between or to or from any point intermediate to Oakland and Sacramento, other than from Oakland to Stockton. Stockton shipments will be handled only from applicant's Oakland terminal at the foot of Webster Street, or wherever it may subsequently be located, (Tr. 532,533) to applicant's Stockton terminal at the head of the channel.

(7) See footnote (6), supra.

the Port of Stockton, Southern Pacific Company and Pacific Motor (8) Trucking Company withdrew any objections to applicant't proposal.

To provide a more expeditious and economical service, "applicant proposes to reroute its present Oakland - Sacramento truck operations, authorized by Decision No. 31209, so that this traffic may be handled in the same equipment as that used to serve Stockton. To accomplish this, applicant seeks authority to establich an alternative route between Oakland and Sacramento via Livermore, Tracy and Stockton, in addition to the route now authorized via Vallejo and Davis, and it also proposes to consolidate the Oakland - Sacramento service with the Stockton operation. Ordinarily, the Sacramento freight would be handled on the Stockton truck, but on those occasions when there may be sufficient tonnage to provide a full load, this, at applicant's option, may be routed via Davis to take advantage of the shorter mileage. Should the volume of the Stockton tonnage be sufficient to provide a full trailer load, the trailer would be cut off at Stockton and brought back empty on the return trip. However, if the traffic consigned to Stockton does not require so much space, the truck, after this freight has been discharged would continue on to Sacramento, and may return over either route.

The proposal to consolidate the Sacramento and the Stockton truck operation, it appears, would result in substantial improvements in the service. At present, the Sacramento freight originating in the East Bay region is transported across San Francisco Bay, along with the Stockton tonnage, by the switching vessel and unloaded at applicant's San Francisco terminal. There

(8) Transcript pages 510, 512.

-6-

this tonnage is reloaded upon the line-haul vessel and carried to Vallejo where it is again discharged and transferred to trucks, (9) operating over the so-called Hibbitt Line, which transport it to Sacramento. Thus, there is involved in the handling of the East Easy - Sacramento traffic, two transfers enroute, one at the San Francisco terminal and another at Vallejo. The movement from the East Eay to Stockton requires but one transfer, at San Francisco.

The San Francisco tonnage will continue to move to Stockton by vessel. Since these boats must no longer await the arrival of the switching boats from Oakland, timely arrival at Stockton can ordinarily be assured. Sacramento traffic originating at San Francisco will be handled by vessel, via San Francisco Bay and the Sacramento River, or it may move by truck pursuant to authority granted by Decision No. 31209, or over the Hibbitt Line.

Though the application referred to the delays encountered in the vessel service between San Francisco and Stockton occasioned by fogs, tides or weather conditions, the operation of the truck is not proposed to be contingent upon these occurrences, for applicant now contemplates the establishment of a service operating daily except Saturdays and Sundays.

The time schedule accompanying the supplemental application was amended to provide for an carlier departure from Sacramento

 ⁽⁹⁾ By authority of Decision No. 30324, on Application No. 21538, dated November 9, 1937, this certificate was transferred by Sacramento Motor Transport to The River Lines (Tr. 516, 534, 535, 577).

and an earlier arrival at Oakland on the westbound schedules.

To provide this service, applicant proposes to purchase new equipment consisting of a tractor and semi-trailer powered by a gasoline motor and costing about \$9,000. Should additional or standby equipment be necessary, applicant is in a position to furnish it.

The volume of traffic, it was estimated, would average ten to twelve tons daily from Oakland to Sacramento, and to Stockton, from two to three tons. Traffic moving to both destinations can readily be transported on the same unit of equipment. However, should it ever become necessary to handle the Stockton traffic on a single truck, the operation, applicant conceded, would not be profitable.

On this traffic there would be applied the rates now governing applicant's water operations. No rates will be published specifically applying to traffic handled by truck; the tariff will provide merely that The River Lines may at its convenience, handle the Oakland - Stockton and the Oakland - Sacramento traffic by truck.

Substantial economies, it was shown, would result from the transfer of the Stockton tonnage from vessel to truck. We have adverted to the transfers which would be eliminated in the movement of the Stockton and the Sacramento traffic. There is also the matter of transporting intercoastal traffic from boats and piers at San Francisco, a service now partially performed by barges and tow boats sent down the Sacramento River from Sacramento.

-8-

The boat which ferries the Stockton traffic across the bay to applicant's San Francisco terminal is employed during the morning hours to carry freight destined to nearby river points. Though ordinarily it returns to San Francisco or Oakland by noon or shortly after, the necessity that it handle the Stockton and the Sacremento traffic prevents it from then engaging in the movement of intercoastal freight-a service for which this boat would otherwise be available. It must stand by at the Oakland terminal, ewaiting the closing hour for the receipt of freight. Other switching vessels which may be assigned by applicant to the intercoastal movement do not have sufficient capacity collectively, to accommodate all this traffic. To meet this contingency, applicant has found it necessary frequently to deadhead a barge from Sacramento to San Francisco area which returns loaded with intercoastal freight. This would occur less often were the switching bost now used for the Stockton traffic free to engage in this operation.

Additional costs, it was shown, have been incurred because of this situation. The crew of the switching vessel stand idle from 2:00 P.M. to 5:45 P.M., while the boat is awaiting the closing hour at the Oakland terminal. Though they are employed on a monthly basis, overtime begins to accrue at 6:30 P.M.

The estimated saving which could be accomplished through the elimination of one towboat and one barge, as shown by a statement

-9+

(10) offered by applicant, amounts annually to \$30,771.62. During 1938, applicant found it necessary to deadhead a barge on ninetytwo occasions from Sacramento to San Francisco to accommodate intercoastal tonnage moving from various piers. Many of the cost items shown by this statement, it appears, would disappear. were

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(10) The statement (Exhibit No. 2) upon which this is as follows:	estimate rests
"STATEMENT SHOWING ESTIMATED SAVING EFFECT ELIMINATION OF ONE TOWBOAT AND ONE BARGE	TED BY THE
Average operating cost of 3 towboats for the period October 1 - November 30, 1938 per month	
Overhauling hull, per year. Complete overhaul, including engines, every 5 years @ 33.000.00; cost per year.	0,584.12 500.00 <u>600.00</u> 1,684.12 \$11,684.12
Number of deadhead barge movements, Sacramento to San Francisco, per year	
Daily Dockage at San Francisco at \$5.00 per barge per day 69 barges @ \$ 5.00\$345.00 23 barges @ 10.00 <u>230.00</u>	
Annual Dockage Saving 575.00	575-00
Barge repairs, per year. Protection and Indemnity Insurance Premium, per year. Annual saving, one barge	1,000.00 <u>300.00</u> 1,875.00 1,875.00
Loading and unloading expense, account cargo now handled by barge would be moved by M/V OAKLAND and M/V SONOMA, approx- imately 75 tons per trip. Tonnage per year (306 trips x 75 tons) 22950 tons.	
Cost of loading, per ton372 cents Cost of unloading, per ton. <u>375</u> cents 75 cents	
Annual saving, loading and unloading (22950 tons @ 75 cents)	\$17,212.50
Total annual saving	\$30,771.62

the barge permitted to remain in Sacramento. Though the operating costs would not be entirely eliminated, they would be curtailed substantially. The dockage charges now encountered at San Francisco would no longer exist. The cost of repairs and the insurance charges must still be met, but to a lesser degree. The labor costs amounting snnually to \$17,212.50, incurred in loading and unloading the barge would be eliminated were the work performed by applicant's employees, whose monthly compensation will continue whether they are engaged in this service or in some other. At present, men must be hired especially for this purpose. However, some outlay, the amount of which was not defined, would be undergone were the service performed through applicant's regular employees by the switching vessel, and some expense, also not specifically shown, would necessarily accompany the maintenance and use of the barge at river points. The record, however, does not permit this offset to be measured precisely.

The estimated cost of conducting line-haul truck operations, were applicant permitted to establish the proposed service, would (11) amount annually to \$12,171.58. This is predicated upon line-haul

costs, the overhead and terminal costs having been omitted since they would be incurred whether or not the truck were operated. This figure represents merely the added out-of-pocket cost.

Though the amount of the saving which would be effected by the inauguration of this truck operation has not been shown definitely, it reasonably may be concluded it would be substantial. Clearly, applicant through its proposal, will bring about a material saving in the costs presently incurred in conducting the Oakland - Stockton -Sacramento service. This is true notwithstanding the fact that the truck operation will be a service additional to that now provided by vessel.

During recent years, the revenues derived from applicant's (12) operations have failed to meet the costs of providing service. This

(12) Operatin	ng results o	f The River	Lines from its	annual rop	orts.
	1934	1935_	1936	1937	1938
Nator Line					
Deration: Operating					
Revenues.	979,225.42	884,699.33	1,057,292.62	1,101,286	1,273,433
Operating Expenses.	900,507,33	862,877.81	963,105.37	7 075 047	7 746 066
Not Revenue	78,718.09	21,821.52	94,787.25	<u>1,075,947</u> 25,339	1,146,266 127,167
Auxiliary Op-					
erations: Net Kovenue	3.574.82*	4,569.43	1,831.77	1,931	~~~*
Combined Net					
Rovenue	75,143.27	17,252.09	96,619.02	27,270	127,167
Tax Accruals Water Line Operating In-	2,877.96	4,207.42	9,355.89	16,601	21,978
come	72,265.31	12,444.67	87,263.13	10,669	105,189
Other Income	1,380.00	1,260.00	375.00	170	210
Gross Income	73,645.31	13,704.67	87,638.13	10,839	105,399
Deductions from Gross Income Miscellaneous	n				
Rent Interest on w	48,669.58	49,276.23	44,350.60	39,735	33,888
funded debt.	1,207.87	2,584.68	5,348.23	7,831	8,183
Total De- ductions	49,277.45	51,860.91	49,698.23	47,566	42,071
Net Income	23,767.86	38,156.24*	•	36,727*	
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"Indicates loss.

-12-

record indicates that applicant reasonably may expect to continue on an enduring basis only under some plan which will reflect the most efficient and economical type of operation. Unless such an improvement is sanctioned, applicant ultimately may be compelled to discontinue its operations, thus depriving the public of the benefits incidental to the maintenance of the vessel service it has so long enjoyed within this territory. The establishment of the proposed trucking service will enable the applicant, as we have shown, to improve its service as well as accomplish substantial operating economies, and thereby perpetuate its water service.

Valley Motor Lines and its affiliate Valley Express Co. protested the granting of this application, but the Port of Stockton, Southern Pacific Company, Pacific Motor Trucking Company and the Stockton Chamber of Commerce voiced no objection to applicant's proposal. This position, however, was conditioned upon certain restrictions affecting applicant's operations, to the imposition of which the latter has consented. We have previously discussed the terms of these restrictions.

In support of their protests, Valley Motor Lines and Valley Express Co. offered no evidence; they made no showing descriptive of the service they performed. Only by way of argument did these protestants point to any disadvantages which they might duffer should applicant's proposal be approved.

Protestants contend they would be severely handicapped because of the lower rates available to applicant. They unge that under a ruling of this Commission⁽¹³⁾ they are obliged to assess upon

(13) Decision No. 31358, dated October 17, 1938, in Case No. 4132.

-13-

traffic moving from Oakland to Sacramento rates no lower than the combination of locals over Stockton. Since applicant is at liberty to collect a lower rate, the granting of this application, protestants assert, would place them at a serious disadvantage in competing for the Sacramento traffic. This disability, however, now exists under the present rate adjustment and it would continue to exist were applicant's proposal sanctioned. The rates which the latter undertakes to charge would differ in no respect from those now imposed. However, it reasonably may be inferred that were applicant permitted to improve its service as suggested, thus overcoming the objections of the shippers to the existing inadequacies, it would be better able to reap the advantages flowing from this rate differontial.

The truck service is designed to accommodate but a part, and by no means the greater part, of the traffic which applicant enjoys; its primary purpose is to provide an earlier and a more dependable delivery of less-than-carload freight, particularly at Stockton. The rest of the traffic will continue to move by water. In fact, so the record shows, it is distinctly to applicant's advantage to retain for its vessel operations all the traffic which can move in that manner, consistently with an adequate service to its patrons. The trucking operation, it was shown, is designed merely to fill the gaps in the water service. Together, the water and the truck operations should provide a rounded-out, dependable, and adequate service. Moreover, applicant will thus be enabled to survive and to continue the service which has resulted in such advantages to the public. Only by so doing may it hope to improve the financial results of its operations.

Though it is true that the inauguration of the truck sorvice will not result in the discontinuance of any vessel operations,

14.

this circumstance is not controlling. It was shown that through the trucking operation applicant could effect substantial economies in the cost of handling the traffic to Stockton and to Sacramento. In no other way would applicant be able to hold its present less-thencarload traffic moving to Stockton.

In our judgment, public convenience and necessity require the establishment of the service proposed. The application will, therefore, be granted, subject to the conditions which applicant by its stipulation has obligated itself to observe.

The River Lines is hereby placed upon notice that "operative rights" do not constitute a class of property which should be capitalized or used as an element of value in determining reasonable rates. Aside from their purely permissive aspect, they extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be changed or destroyed at any time by the State, which is not in any respect limited to the number of rights which may be given.

ORDER

A public hearing having been had in the above-entitled matter, evidence having been received, the matter having been duly submitted, and the Commission being now fully advised:

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the establishment and operation by The California Transportation Company, a corporation, and Sacramento & San Joaquin River Lines, Inc., a corporation, doing business under the name and style of The River Lines, of an automotive service, as a highway common carrier, as such is

15.

defined by Section 2-3/4 of the Public Utilities Act:

Between its terminal at Oakland, on the one hand, and Stockton and Sacramento, on the other, over the following route:

> Over U.S. Highway No. 50, via San Leandro, Hayward, Dublin, Livermore, Tracy, Stockton, Lodi and Galt,

as a service alternative to that authorized by Decision No. 31209, dated August 15, 1938, rendered in the present application, and to be consolidated therewith and with the operations hereinabove authorized between applicant's terminals in Oakland and Stockton, respectively.

Said operations herein authorized shall be conducted as an alternative and supplemental service to the existing service of The River Lines by vessel between San Francisco, Oakland, and Berkeley, on the one hand, respectively, and Stockton and Sacramento, on the other hand, respectively.

IT IS HEREEY ORDERED that a certificate of public convenience and necessity therefor be, and it is hereby, granted to The California Transportation Company and The Sacramento & San Joaquin River Lines, Inc., operating under the name and style of The River Lines, subject to the following conditions:

- 1. The authority herein granted shall lapse and be void if applicant shall not have complied with all of the conditions within the periods of time fixed herein unless, for good cause shown, the time shall be extended by further order of the Commission.
- 2. Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed thirty (30) days from the effective date hereof.
- 3. No service shall be conducted by applicant, as a highway common carrier, from Stockton to Oakland; between Stockton and Sacramento; or between or to or from any point intermediate to Oakland and Sacramento, other than from Oakland to Stockton, as hereinabove described.

- 4. The certificate herein granted is contingent upon applicant continuing the operation of boat service for which the highway common carrier operation is an alternative and supplemental service. In the event said boat service is discontinued the certificate herein granted will become void and will be of no further force and effect.
 - 5. Applicant shall commence the service herein authorized within a period of not to exceed thirty (30) days from the effective date hereof, and shall file, in triplicate, and concurrently make effective on not

less than ten (10) days' notice to the Railroad Commission and the public, a tariff or tariffs constructed in accordance with the requirements of the Commission's General Orders and containing rates and rules which in volume and effect shall be identical with the rates and rules shown in the exhibit attached to the application herein granted, or rates and rules satisfactory to the Railroad Commission.

- 6. Applicant shall file in duplicate, and make effective within a period of not to exceed thirty (30) days after the effective date of this order, on not less than five (5) days' notice to the Railroad Commission and the public, a time schedule or time schedules covering the service herein authorized in a form satisfactory to the Railroad Commission.
- 7. The rights and privileges herein authorized may not be discontinued, sold, leased, transferred nor assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer or assignment has first been obtained.
- 8. No vehicle may be operated by applicant herein unless such vehicle is owned by said applicant or is leased by applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.
- 9. Applicant shall, prior to the commencement of service authorized herein and continuously thereafter, comply with all of the provisions of this Commission's General Order No. 91.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California: this day of Lecenter ____, 19<u>39</u>. COMMISSIONERS

-12-