

Decision No. 28056

BEFORE THE RAILROAD 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.), and)
Their Connecting Truck and Water)
Carriers, for an Order Under Section)
63(a) of the Public Utilities Act)
Authorizing an Increase in Rates and)
Charges.)

ORIGINAL

Application No. 26807

BY THE COMMISSION:

Appearances

- Scott Elder and McCutchen, Thomas, Matthew, Griffiths & Greene, for Applicants.
- Maurice Harband and Eugene L. Rendler, for Director of Economic Stabilization and Office of Price Administration.
- Walter A. Rohde, for San Francisco Chamber of Commerce.
- Eugene A. Read, for Oakland Chamber of Commerce.
- J. J. Deuel and Edson Abel, for California Farm Bureau Federation.
- W. G. Stone, for Sacramento Chamber of Commerce.

O P I N I O N

The California Transportation Company and Sacramento and San Joaquin River Lines, Inc., are engaged in the transportation of property as a common carrier by vessel and, subject to certain restrictions, as a highway common carrier, under the operating name of The River Lines, between San Francisco and Oakland on the one hand and Stockton, Sacramento, Chico Landing and intermediate points on the other hand. These applicants, who for convenience will sometimes hereinafter be referred to by their operating name, The River Lines, also conduct highway common carrier operations between Sacramento and Vallejo and intermediate points under the name of Sacramento Motor Transport. They seek authority to increase by approximately 10 per cent all of their intrastate local rates and charges, except dock-to-dock commodity rates and rates for the transportation of

petroleum and petroleum products in tank barges. A similar increase is sought in various joint rates maintained by The River Lines and certain connecting water and highway common carriers, which are also applicants herein. The increase requested is for a six months period.

A public hearing was had before Examiner Howard G. Freas at San Francisco on July 5, 1945.

The general manager for The River Lines testified that its physical operations and the nature of traffic handled since 1941 have completely changed. He stated that prior to the cessation of intercoastal shipping at the end of 1941, the preponderance of its¹ traffic consisted of intercoastal traffic moving principally to Sacramento and Stockton with return movements of agricultural products for transshipment to foreign and interstate destinations. The bulk of this traffic moved in carloads and was handled by vessel with the southbound and northbound traffic flow fairly evenly divided. With the cessation of commercial shipping through the Port of San Francisco, the consist of The River Lines' traffic, as well as the way in which it was handled, changed substantially. The northbound carload intercoastal traffic was largely supplanted by less-carload pickup and delivery traffic and the southbound carload tonnage virtually disappeared. There was also a substantial increase in the amount of petroleum and petroleum products traffic, which is handled in tank barge equipment. Government freight has also been handled. This freight, which the record shows was fairly substantial during the latter half of 1943, and through 1944, can no longer be expected to move in substantial quantities, it was explained, due to the Government's acquisition of equipment to perform its own transportation.

¹

Much of the less-carload traffic originates in the East and moves to San Francisco and Oakland in carload quantities where it is broken into smaller lots for ultimate distribution within northern and central California.

Changes in the method of operations also occurred. Line-haul trucks gradually were acquired by The River Lines to supplant vessels lost to the Government.² Pickup and delivery truck operations were increased substantially. The change to preponderantly less-carload traffic also effected a change in the tonnage flow from a well-balanced north and southbound movement to an unbalanced movement consisting mostly of northbound tonnage.

During the first three months of 1945 the less-carload freight produced 66-1/3 per cent of applicants' total revenue while the carload general freight, said to consist chiefly of sugar northbound and small amounts of canned goods and rice southbound, produced approximately 8 per cent. The balance of about 25-2/3 per cent represents petroleum and petroleum products handled in tank barge equipment.

During the period that The River Lines' traffic and physical operations were undergoing this substantial change its regular costs of doing business have risen substantially and steadily until today it is operating at a substantial loss. This rise in costs is attributed in part to increased wages paid to employees as a result of wage adjustments, substantial increases in overtime work, inability to secure the same efficient labor formerly available, and to substantial increases in commissary and maintenance costs. However, according to the testimony of record the primary and underlying reason for this substantial increase in costs is due to the change in method of operations occasioned by the loss of the carload traffic and the acquisition of a large volume of less-carload traffic which it has had to handle under conditions not conducive to economical operations.

² The number of vessels handling general freight dropped from 9 in 1940 to 3 in 1943, the number presently being operated.

The effect of the changed traffic and operating conditions and of the increased operating expenses upon the operating results of The River Lines is reflected by exhibits of record for the years 1940 to 1944, inclusive, and, by months, for the first four months in 1945 as follows:

| <u>Year - Month</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Net Profit or Loss</u> | <u>Operating Ratio</u> |
|---------------------|-----------------|-----------------|-------------------------------|----------------------------|
| 1940 | \$1,248,394 | \$1,259,672 | \$(11,278) | 101.0 |
| 1941 | 1,179,920 | 1,148,017 | 31,903 | 97.5 |
| 1942 | 1,000,608 | 971,319 | 29,289 | 97.0 |
| 1943 | 1,146,953 | 1,081,574 | 65,379 | 94.5 |
| 1944 | 1,169,494 | 1,172,309 | (2,815) | 100.4 |
| Jan. | 109,116 | 112,515 | (3,399) | 103.0 |
| Feb. | 87,719 | 102,918 | (15,199) | 117.0 |
| March | 104,571 | 111,500 | (6,929) | 106.5 |
| April | 95,354 | 108,631 | (13,277) | 114.0 |

() - Denotes loss.

The River Lines' general manager testified that its financial position is so precarious that it is in the position where, without a rate increase, it cannot continue to operate more than 30 days and continue to pay wages. He said that the management knows of no operating economies which it can institute in the immediate future; that it has already deferred or discontinued truck and vessel and terminal maintenance wherever possible; that he and the president of the company have waived their salaries; and that a truck terminal has been constructed to effect economies in handling less-carload traffic at Sacramento. A revenue increase approximating 10 per cent for 6 months, it was claimed, would enable The River Lines

more nearly to meet the out-of-pocket costs of conducting operations and give the management time to effect changes in methods of operation which, it is hoped, will remove, at least in part, the need for higher rates. In this regard, it was explained that it intends to remove less-carload pickup and delivery operations from Pier 3, San Francisco, at which all truck operations are presently conducted, and construct a truck terminal "Up-town." This move is expected to effect substantial savings because it will enable more convenient handling of less-carload freight, with resultant operating economies. A marked saving in direct labor costs is also anticipated because it will permit the handling of less-carload freight across the terminal and into the trucks to be performed by men under the jurisdiction of one union instead of two, as at present.

The River Lines' traffic manager estimated that the revenue from the traffic subject to the increase should amount to approximately \$730,000 for the year 1945, and that the proposed rate increase would result in a loss of some traffic.³ This loss in traffic would be offset in part, he said, by a reduction in loss and damage claims, which presently approximates \$20,000 per year. The net remaining to the carrier after considering these two factors should approximate \$30,000 in additional revenue for the six months period.

It is applicants' intention to increase their interstate rates to the same extent proposed intrastate. The interstate traffic presently being handled is negligible.

³ An increase in the dock-to-dock commodity rates and in rates on petroleum and petroleum products is not sought, it was explained, because they are compensatory for the transportation performed thereunder.

The joint rates upon which increases are sought are maintained with two classes of connecting carriers, viz., those who by virtue of parallel local or joint routes are competitive with The River Lines and those having operations which extend into territory not served by The River Lines from a point common to both carriers.⁴ In the first class are joint rates from San Francisco to Sacramento via Kellogg Express and Draying Co., which handles traffic to Vallejo, where it is turned over to The River Lines for movement to Sacramento.⁵ The River Lines' traffic manager said that should an increase in the local rates be permitted then it is absolutely imperative that joint rates with Kellogg and other carriers similarly situated be likewise increased because otherwise they would cease to be competitive and the traffic normally handled direct via The River Lines would be diverted to the joint routes. He also stressed the fact that its division of revenue under joint rates is lower than the local rate between the same points, and argued that if the local rates are less than required to meet operating expenses, and should be increased, then an increase in the joint rates is even more imperative.

Financial statements for the connecting carrier applicants with whom the substantial portion of The River Lines' joint rate business is handled were placed in evidence. They suggest that the overall operations of some have been conducted at a loss. However, the extent to which the joint rate traffic with The River Lines has contributed to the loss was not shown.

4

Joint line revenue amounted to \$86,438.73 in 1944. Of this amount \$46,489.67 accrued to The River Lines and \$39,949.06 to the connecting carriers.

5

Three carriers fall in this group. The total 1944 freight revenue from joint rates of these carriers and the division thereof is as follows:

| | <u>Total Revenue</u> | <u>Connecting Carriers' Portion</u> | <u>The River Lines' Portion</u> |
|--------------------------|----------------------|-------------------------------------|---------------------------------|
| Kellogg Exp. & Dray. Co. | \$7,685.45 | \$3,967.17 | \$3,718.28 |
| Berkeley Transp. Co. | 2.96 | 1.15 | 1.81 |
| Bay Cities Transp. Co. | - | - | - |

The Sacramento, San Francisco and Oakland Chambers of Commerce expressed themselves in favor of the granting of this application. In doing so they stressed the importance of The River Lines' operations to their communities and their belief that a rate increase is necessary if their continuation is to be assured. The Director of Economic Stabilization and Office of Price Administration through its Regional Office, after listening to the evidence, agreed that an increase in rates is desirable and probably should be made. No one opposed the granting of the application but all urged that the Commission scrutinize the record carefully and authorize the increase sought only to the extent it is fully justified.

The record shows that The River Lines has operated at a small loss in 1944 and that for the first four months in 1945 the loss has been so great that applicants will within 30 days be unable to meet its payroll expenses. Clearly an increase in rates must be authorized if continued service is to be guaranteed during the next six months. It is doubtful that the additional revenue to be derived from the rate increase sought will fully cover current operating expenses. The management recognizes the need for effecting every conceivable economy and is undertaking to do so, but knows of no action it can take which will alleviate the situation immediately. Six months appears to be the minimum time in which the contemplated changes can be effected.

Ordinarily in proceedings involving substantial rate increases a more comprehensive showing than that here made would be required. The temporary nature of the increase sought, the fact that the carrier even with the increase will not be operating at a profit, and the other circumstances surrounding the increase request make this

6

The record shows that applicants gave the Office of Price Administration the required 30 days' notice of the filing of their application with the Commission and consented to that office's intervention in this proceeding.

a matter for special consideration. The need here is immediate and urgent. No question of rate of return is raised since it appears doubtful that the relief sought, if granted, will return to the carrier the added revenue necessary to meet its operating expenses. An increase in the local rates of The River Lines, as requested, and in the joint rates with carriers having paralleling operations has been justified. However, there has been no showing that such revenue deficiencies as other connecting carriers may have experienced are attributable in any respect to the joint rates involved, and increases in such rates will not be authorized except to the extent necessary to prevent departures from Section 24(a) of the Public Utilities Act by virtue of increasing the local rates of The River Lines.

We are of the opinion and find that the increases involved in this application to the extent hereinbefore outlined are fully justified and necessary to the maintenance of adequate transportation facilities, and that in all other respects the application has not been justified and should be denied.

O R D E R

A public hearing having been held in the above entitled proceeding and based upon the evidence received at the hearing and upon the conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED that The California Transportation Company and Sacramento & San Joaquin River Lines, Inc., doing business as The River Lines, and as Sacramento Motor Transport, through J. H. Anderson, their tariff publishing agent, be and they are, and each of them is, hereby authorized to establish, on not less than one (1) day's notice to the Commission and to the public; an increase in their local rates and charges and in their joint rates and charges maintained with applicants Bay Cities Transportation Company, Berkeley Transportation Company and Kellogg Express & Draying Company to the extent requested in their Application No. 26807, as amended, and Exhibit No.

23 of record in this proceeding; and in their joint rates and charges maintained with other applicant connecting carriers named in Schedule A of Application No. 26807, as amended, to the extent necessary to avoid departures from the provisions of Section 24(a) of the Public Utilities Act.

IT IS HEREBY FURTHER ORDERED that the increases in rates and charges herein authorized shall be published and filed to expire one hundred and eighty (180) days after the date they become effective, unless sooner changed, canceled or extended by order of the Commission.

IT IS HEREBY FURTHER ORDERED that applicants be and they are hereby authorized to depart from the provisions of Tariff Circular No. 2 and General Order No. 80 to the extent necessary to effect tariff amendments in the manner proposed in the aforementioned Exhibit No. 23.

IT IS HEREBY FURTHER ORDERED that in all other respects the above entitled application be and it is hereby denied.

The authority herein granted shall be void unless exercised within ninety (90) days of the effective date hereof.

This order shall become effective upon the date hereof.

Dated at Los Angeles, California, this 10th day of July, 1945.

Charles Ludger
Richard H. Hulse
Frederic Deane
W. H. Howell
 Commissioners.