

Decision No. 55608**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE WESTERN PACIFIC RAILROAD COMPANY)
 for authority to increase switching) Application No. 38882
 charge in Item 634-C, WP Terminal)
 Tariff G.F.D. No. 35-J, Cal.P.U.C.)
 No. 245.)

Otis J. Gibson, for applicant.
Clyde T. Neary, for the Commission staff.

O P I N I O N

Applicant is a common carrier of property by railroad between points in this State. By this application, as amended, it seeks authority to increase a certain switching charge which applies between specified points within applicant's switching limits at Stockton.

Public hearing of the application was held before Examiner Carter R. Bishop at San Francisco on May 14, 1957.

The charge sought to be increased applies between applicant's interchange tracks with connecting lines, on the one hand, and Smith Spur Siding, on the other hand. The charge applies only when the switching movement is incidental to a line haul¹ performed by a rail-² road other than applicant, and which line haul is not competitive³ with applicant. As presently published in Item No. 634-D of

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1. By "line haul" is meant a movement from or to a point outside Stockton switching limits.
 2. Applicant's terminal tariff defines competitive traffic as that which may be handled at equal rates (exclusive of switching charges) from the same point of origin to the same point of destination via other carriers, one of which performs the switching service.
 3. The record shows that on traffic from and to Smith Spur on which applicant receives a line haul no switching charge from or to that spur is assessed, and that on traffic on which other carriers perform the line haul at competitive rates the applicable switching charges from or to Smith Spur are absorbed by the line haul carriers.

applicant's Terminal Tariff No. 35-J, the charge for the switching service in question, applicable to intrastate traffic, is \$10.26 per car. It is proposed by the application herein to increase that amount to \$25.00 per car.

Evidence in support of the application was introduced by two of applicant's employees, its assistant to the general auditor and its assistant general freight agent. The former introduced a study which he had prepared, purporting to show the out-of-pocket cost of performing the switching service for which the tariff charge here in issue is provided. The cost as developed in the study amounts to \$22.85 per car. According to the record, no loaded cars move out-bound from the spur to noncompetitive points; all of the shipments subject to the charge in issue move to the spur for delivery. The above-mentioned cost figure includes the cost of switching the empty car from the spur after it is unloaded.

In calculating out-of-pocket costs the accounting witness first developed the cost per yard engine hour. This included wages and other expense items. Wages were calculated at current base rates applicable at Stockton but did not take into account a cost-of-living increase which became effective May 1, 1957, nor increases which under the current agreement are to transpire in November, 1957, and November, 1958.⁴ Other expense items were based on system averages which were developed from data shown in applicant's annual report,⁵ for the year 1956, filed with the Interstate Commerce Commission.

4. Labor expense included wages of yard employees as follows: yard-masters, clerks, conductors, brakemen and enginemen. Provision was also made for railroad retirement and unemployment taxes.
5. The expense items based on system averages included maintenance of way, structures and equipment; yard switching fuel; water, lubricants and other supplies for yard locomotives; enginehouse expenses; and yard supplies and expenses.

Of the total out-of-pocket expense per hour thus developed, wages and related expenses comprised approximately 78 per cent. In the opinion of this witness, the system average costs utilized in the study are representative of the costs actually incurred, under those particular expense items, in the switching service involved herein.

The accounting witness then reduced the hourly expense to a calculated cost of 34.17 cents per yard engine minute. This figure in turn was applied to the total time consumed in the switching operations in question to arrive at the above-mentioned switching cost of \$22.85 per car. The switching time was developed, the witness said, in a one-day study of actual operations, made by an operating employee working under the witness' direction. The study involved an analysis of the total movement between the interchange tracks with connecting lines and Smith Spur into five distinct switching operations. The total switching time per car, according to the special study was 66.88 minutes.

The assistant general freight agent explained that Smith Spur Siding is a public team track, exclusively maintained by applicant and is located on the carrier's so-called North Channel line on the north side of Stockton, more than three miles from applicant's classification yard in the southern section of the city. The team track, he stated, is used by certain receivers of freight when their convenience is better served by taking delivery there than at applicant's principal team track, or those of other rail lines, located in the commercial district of Stockton.

An exhibit introduced by this witness shows that during the period from January 1, 1955 to April 30, 1957, inclusive, a total of 17 intrastate carloads which would be subject to the charge involved

herein were switched to Smith Spur Siding. These shipments moved from five points of origin. Apparently the traffic in question has been increasing, since it is stated in the application herein that during a recent six-month period applicant handled ten intrastate cars which were subject to the aforesaid Item No. 634-D.

According to the traffic witness, the proposed rate of \$25.00 per car represents something in excess of the out-of-pocket cost of performing the service but is less than full cost. He pointed out that a rate of the same level as that sought herein was placed in effect on interstate traffic between the same points on May 10, 1957. He asserted that it is not customary for rail lines to make their team tracks available for the loading or unloading of cars on which the road owning the team track does not receive a line haul. He said that Smith Spur Siding represents an exception to this general rule. Accordingly, applicant believes that since it receives no line haul revenue in connection with traffic which is subject to the switching charge in question, said charge should be sufficiently high to reimburse applicant for the expense incurred in rendering the services for which the charge is published.

In this connection, the witness emphasized a distinction between private spur tracks and public team tracks. In the case of the former, he said, the party whose premises are served thereby contributes to the original cost and maintenance of the spur; the original cost and maintenance of team tracks, on the other hand, are borne entirely by the carrier.

The switching charge here in issue is only one of many published in applicant's terminal tariff. Some of these apply at all stations while others apply only at particular stations and for specified movements. The traffic witness stated that applicant,

along with other rail lines, was currently considering a proposal to increase all switching charges throughout the State. The study, so far as it had then been progressed, he said, indicated that the existing levels of the charges were not in keeping with current costs. According to the witness, applicant believes that the charge here in issue, in view of the peculiar circumstances under which it is maintained, should not be made a part of the general review, and that the proposal to increase the charge should be treated as a separate matter.

No one opposed the granting of the application, although the record shows that copies were served upon all consignees in Stockton found to be using the service and upon the Stockton Chamber of Commerce. An engineer from the Commission's staff assisted in the development of the record.

The increase herein sought is drastic, reflecting a proposed advance of 144 per cent. While the cost study of record lends some support to the allegation that the switching charge in question is presently below a compensatory level, other factors must be considered in reaching a conclusion in the matter. As hereinbefore stated, the switching charge before us in this proceeding is only one of numerous such charges maintained by applicant in its terminal tariff. A review of that publication discloses that in most instances the switching rates named therein are substantially less than the charge of \$10.26 applicable from and to Smith Spur Sidning; a few are higher. Additionally, as previously noted, free switching service is provided under certain circumstances.

Applicant's witness indicated that his company, along with other California rail lines, is engaged in a general system-wide review of switching charges, in the thought that some, if not all, of them should be increased to more compensatory levels. Presumably,

when the carriers have completed their analysis of switching charges they will file applications with the Commission seeking authority to increase those charges which the carriers deem to be unduly low. A general upward revision of switching charges, such as appears to be contemplated by applicant and other carriers, will necessitate consideration by the Commission of the general effect of such an adjustment on industry as a whole, as well as of other important factors, in addition to that of cost of performing the individual switching services.

We are persuaded, therefore, that the particular switching charge here in issue, which would produce additional annual revenue of only \$300 under the proposal, should not be treated apart from the aforementioned general review, but should be included in such general program of adjustment in switching charges as applicant may later present for the Commission's consideration. In the circumstances, we conclude and hereby find as a fact that the sought relief has not been justified. The application will be denied without prejudice.

O R D E R

Based upon the evidence of record and upon the conclusions and findings contained in the preceding opinion,

IT IS ORDERED that Application No. 38882 be and it is hereby denied.

The effective date of this order shall be twenty days after the date hereof.

Dated at Los Angeles, California, this 24th day of SEPTEMBER, 1957.

[Signature]
President
[Signature]
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Commissioners