

Decision No. 27892.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Suspension by the Commission on its own Motion of reduced rates filed by SOUTHERN CALIFORNIA FREIGHT FORWARDERS, KEYSTONE EXPRESS SYSTEM and KEYSTONE EXPRESS COMPANY for the transportation of liquors, alcoholic, from Burbank to Los Angeles.

Case No. 3942.

H. J. Bischoff, for Southern California Freight Forwarders.
Libby & Sherwin, by Warren E. Libby, for Keystone Express System and Keystone Express Company.
C. W. Cornell, for Southern Pacific Company and Pacific Motor Transport Company.

BY THE COMMISSION:

O P I N I O N

This proceeding involves a determination of the lawfulness of rates filed by respondents Southern California Freight Forwarders, Keystone Express System and Keystone Express Company for the transportation of alcoholic liquors from Burbank to Los Angeles.

The matter was submitted at a public hearing had before Examiner Gorman at Los Angeles December 18, 1934.

The rates proposed by all three of the respondents are 22 cents per 100 pounds when in lots of less than 500 pounds, 20 cents in lots of from 500 to 1000 pounds, 15 cents from 1000 to 2000 pounds, 12½ cents from 2000 to 4000 pounds, 10 cents from 4000 to 6000 pounds, and 7½ cents when in lots of 6000 pounds or over.¹

¹ They were published in Item 466 of Southern California Freight Forwarders' Local Express Tariff No. 1, C.R.C. No. 1; Item No. 5 of Keystone Express System's Local Freight Tariff No. 7, C.R.C. No. 6, and Item No. 1 of Keystone Express Company's Local Express Tariff No. 3, C.R.C. No. 4, filed to become effective December 17, 1934, but were suspended by the Commission at the instance of Keystone Express System and Keystone Express Company.

At the present time respondents' rates for the transportation of alcoholic liquors from Burbank to Los Angeles are as follows:

	<u>Southern California Freight Forwarders</u>		<u>Keystone Express System</u>		<u>Keystone Express Company</u>	
	<u>In glass in cases or cartons</u>	<u>In bulk in kegs or bbls.</u>	<u>In glass in cases or cartons</u>	<u>In bulk in kegs or bbls.</u>	<u>In glass in cases or cartons</u>	<u>In bulk in kegs or bbls.</u>
Less than 2000#	25¢	21¢	25¢	21¢	25¢	21¢
2000 to 4000#	25¢	21¢	22½¢	17½¢	22½¢	17½¢
4000 to 6000#	25¢	21¢	15¢	15¢	22½¢	17½¢
6000# and over	25¢	21¢	15¢	15¢	17½¢	15¢

In addition to the foregoing, Southern California Freight Lines (formerly Rice Transportation Company), the underlying carrier over whose line Southern California Freight Forwarders operates and with which it is closely affiliated, has in effect rates of the volume of those maintained by Keystone Express Company.

Keystone Express System and Keystone Express Company made no attempt to justify their proposed rates. On the contrary they stated that they believed them to be unduly low and unjustifiable and explained that they merely published them in order to be on a parity with Southern California Freight Forwarders in the event that carrier's rates were permitted to become effective.

Southern California Freight Forwarders admitted that the proposed rates were low for this class of traffic but submitted evidence and testimony to show that they were compensatory, and contended that unless they were established the traffic would be transported either by unregulated carriers or by the shippers themselves.

The showing as to the cost of performing the service is subject to criticism on the following grounds: (1) No attempt whatsoever was made to show the cost to Southern California Freight Forwarders, the respondent here. The figures introduced are said to reflect the cost

incurred by Southern California Freight Lines, the underlying carrier, which has not published rates of the volume of those here under suspension and is not a party to this proceeding. (2) "Terminal", "traffic" and "general" expense items were obtained from figures submitted by another carrier in another proceeding, with little showing that they were the same for respondent's operation. (3) On shipments under 6000 pounds no allowance has been made for the cost of the transportation from Burbank to Los Angeles, a distance of approximately 15 miles. The witness testified that the item shown as "pickup" expense embraced the cost of service from the shipper's place of business to respondent's terminal and that trucks returning from Burbank could carry these liquors at no greater cost if picked up in Burbank than if picked up somewhere en route in Los Angeles. By the same reasoning it would cost no more to bring a shipment from San Diego to Los Angeles than it would to pick it up within the Los Angeles city limits if respondent had space on a returning truck. Obviously statistics compiled in this manner do not reflect true operating cost.

Southern California Freight Forwarders has enjoyed this business at the rates now in effect since October 20, 1934. Prior to that time it was handled by Keystone Express System, whose rates for lots of 2000 pounds or over, as has already been pointed out, are lower than Southern California Freight Forwarders. There is nothing in the record to show the nature of the service that might be obtained from the alleged unregulated competitors or the cost to them of performing the service. Moreover the witness testified that the shipper had not objected to the volume of the existing rates and that the suspended rates were published by Southern California Freight Forwarders of its own volition so as to forestall any possible loss of the traffic.

Upon this record we must conclude that the suspended rates have not been shown to be reasonable for the transportation of the

traffic here involved nor to be necessary for the purpose of meeting the needs of the shipper or the competition of unregulated forms of transportation. The cutting of rates by one regulated carrier for the purpose of diverting traffic from another regulated carrier is to be discouraged. Respondents will be required to cancel the suspended rates. This action will be taken however without prejudice to their right to file rates of the volume of those now maintained by any competing regulated carrier performing comparable service.

O R D E R

This matter having been duly heard and submitted,

IT IS HEREBY ORDERED that respondents Southern California Freight Forwarders, Keystone Express System and Keystone Express Company be and they are hereby ordered and directed on or before January 15, 1935, on not less than one day's notice to the Commission and the public, to cancel the rates here under suspension.

IT IS HEREBY FURTHER ORDERED that upon the cancellation of the suspended rates our order of December 10, 1934, in the above entitled proceeding be vacated and this proceeding discontinued.

Dated at San Francisco, California, this 22^d day of December, 1934.

Leon C. ...
W. H. ...
M. B. ...
Arthur ...
Arthur ...
Commissioners.